



A DECADE OF GROWTH

bcIMC Annual Report 2009-2010

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2009-2010 marks the tenth anniversary of the British Columbia Investment Management Corporation (bclMC) providing investment management services to British Columbia's public sector as an independent company. Today, bclMC is one of Canada's largest institutional fund managers with a globally diversified portfolio of \$79.7 billion of assets under administration. This report recognizes our evolution over the past decade with highlights of our investment activity, responsible investing initiatives, client service, and organizational growth. Our position as a leading fund manager is the result of the bclMC Board's leadership, our clients' support, and our staff's commitment and enthusiasm.

DAVID ENG I JOSE CHILL
 CHRIS BEAUCHEMIN I JEFFREY HUNTER
 MILLIE CHOW I ANDREW BOYLAN I DONNA JONES
 MONIQUE BROSEAU I JOHNSON LAM I CAROL IVERSON
 SUSAN ENEFER I MURRAY DUNCAN I BRUNO ROT I HENRY CHOY
 KEITH HARRIS I JOHN DE BOER I MARLENE GURNEY I CHRIS LAWLESS
 JENNIFER HERBERHODGE I MARK JOHNSTON I ABRA FORD I BRIAN FORAN
 JEFF CONSTANTINESCU I CHRISTINA MCCULLOUGH I WAEL HELAL I ANITA LAM
 RICK DELOS REYES I MICHELLE LUMLEY I VARINDER GREWAL I HARDEEP BAMARA
 CARMON CURRIE I TYLER POLLITT I LULY EDWARDS I KAREN CALVIN I RYAN BARRY
 MATTHEW KAESHAMMER I DIANE LAMININA FORSYTH I HARRISON I GAYLE RUSSELL
 KARIN KONDAS I ANGELA MILLER I REBECCA GUTHRIE I KELLY CHAPLIN I CHERYL PHILLIPS
 BRYAN THOMSON I ROBERT FIELD I CHRISTINA HUEY I MATTHEW JENSEN I ALAN GUILBAULT
 KATHY FORD I LONNIE SYMAN I LINDA DEBBIE HOWELL I LUCKY NGI I WARLDTTE MILLS I LAURA LEE
 TREVOR MILLER I DON MCFERSON I KRAS ADIBAS I ARB MACHON I DJORDIE HUTCHINSON
 TEERAVIT CHINTAWONGVANICH I JOHANN KUNTZE I LATHY I ACARTHUR I DAVID WOODWARD
 SAURABH SURYAVANSHI I ANDREA ZHANG I JUDITH REMEDIOS I KE MEDLAND I CARI TAYLOR
 LORI MITCHELL I SHELDON SCHMIDT I MICHELLE PELLAND I KATHY MARSHALL I DONNA LUMLEY
 ANDREA PETILLION I RICHARD DINNENY I LINCOLN WEBB I MARLIT GUNN I ALLISON KNOWLES
 CHARLES VOLKOVSKIS I JULIANN MARSHALL I RACHEL CHIPPS I LYNN HANNAH I OWEN FISHER
 MURIEL LOCKHART I SUSAN FREEBORN I BEVERLY SCREFF I RACHEL VAUGHAN I ARTHUR COYNE
 ROBERT DES TROIS MAISONS I DEAN ATKINS I NICK BAILEY I RICHARD PARRISH I HARLAN ENNS
 ALLISON GREAVES I DEB HENDRICKSON I JANA HONKOVA I PHIL KNUDTSON I TRICIA STEACY
 AMBER AHLSTROM I STEVE BARRIGWILL I ANN CHITENDEN I ANTHONY ROWLEY I DAN BAILER
 MIKE HARVEY I JERRY DIVOKY I KARA FLANAGAN I BRIAN DUNN I AN PRYDS I LISA JEFFERY
 BUNTY MAHAIRHU I FRANCINE LLEUFULIDENIS I DR. QUINN I STEVE WARD I SAMEER JINNAH
 CHRISTY PHAM I TINA CHEUNG I DOUG PEARCE I VICKI LANE I MIKE BOOTH I VICKI AUNE
 JUSTIN AYLWARD I MAREN CHAWRUN I CAROL ASTON I JANET FRASER I CHRIS ALLEN
 MICHAEL MERCIER I VERO CHATLAIN I DAVID KAYAL I KEVIN WEIR I NORINE HALE
 DARYL JONES I CARMEN FIRMAN I CHUCK SWANSON I VIVIAN I AN JOEL ROSE
 BRITTA WAGNER I PETER MCCRODAN I DEBBIE KULESH I AUNA LUKAITIS
 ALISON WALKER I ANDREW HOGE I MICHELLE TIMS I SASHA STEVENS
 STEVE TURNER I RANDY STOREY I WENDY KELLAM I KEVIN RYAN
 PAUL FLANAGAN I ARCHANA NIRADILARISA ANDERSON
 MARY GARDEN I DON POVILAITIS I DEBBIE ATKINS
 ALLEN GAGE I JIM SEREDA I MARY SPURR
 ALEX CHUI I DON WONG



Investment
Management
Corporation

A DECADE OF INVESTMENT ACTIVITY

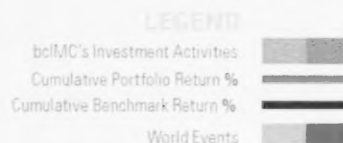
APRIL 1, 2000 - MARCH 31, 2010:

Total Cumulative Returns of a Combined Balanced Pension Portfolio

As capital markets are characterized by peaks and troughs, bcIMC maintains a long-term view and looks to add value regardless of market conditions.

As of March 31, 2010, \$100 invested

by our pension clients on April 1, 2000, is now worth \$156, being a combined average annualized return of 4.6 per cent, versus an annualized benchmark of 4.3 per cent. This signifies the total profit (including dividends, interest, and capital gains) earned by bcIMC net of any losses and all investment management costs. Although the past decade has been a challenging period, returns in other decades (e.g., the 1990s) were exceptionally strong and remain the primary source of income for pension plans. According to *A Model of Pension Fund Growth* by Don Ezra (1989), over the life of a plan member (i.e., 30 years as an active member and 20 years in retirement), for every \$100 that they receive in pension benefits, \$80 comes from investment activity, and \$20 comes from contributions.



100%

75%

50%

25%

0%

-25%

-50%

2000



CIBC OFFICE BUILDINGS

Acquire seven office buildings across Canada from the Canadian Imperial Bank of Commerce – at the time, the largest real estate transaction in Canadian history.

Underwrite our first mortgage loan exceeding **\$50 million** rising to 50 such loans by 2010.

Complete our first investment in Newbridge Asia, a large pan-Asian buyout manager – by 2010, our private equity portfolio includes investments in 165 funds with 55 managers.

The hype and concern about Y2K computer problems prove to be unfounded.

"Dot-com" bubble bursts

causing turmoil in capital markets, resulting in great losses in wealth

2001

Begin the in-house management of the International Equity Indexed Fund and the European Indexed Fund. By 2010, 61 per cent of public equity assets are managed in-house.

Co-lead a **class action suit**

seeking compensation from YBM Magnex International Inc., a TSE 300 (now S&P/TSX Composite Index) company that laundered money for Russian organized crime — the first court-approved settlement of its kind in Canada.



ROYAL BANK TOWERS

Complete the development of Royal Bank Towers in Mississauga, Ontario — the largest office complex built in Eastern Canada at the time.

9/11 terrorist attacks on New York and the Pentagon — U.S. exchanges are closed for six days, the longest close since the Great Depression. The U.S., the U.K., and other countries strike back at Afghanistan.

Enron collapses

followed by other corporations, leading to questions about the reliability of corporate accounting and governance.

2002

Introduce our **infrastructure program** — although fund investments were the initial focus, by 2010 our portfolio includes 10 direct investments in companies around the world, as well as 13 fund investments.



BAYVIEW AT COAL HARBOUR

Complete the construction of Bayview at Coal Harbour, a 236 residential unit tower in Vancouver, British Columbia.

Post 9/11 recession and the Dow Jones Industrial Average sinks to the 2,000 level. Interest rates hit 40-year lows and deflation concerns mount.

Canadian dollar hits an all-time low of U.S. \$1.93c.

Euro put into circulation for 12 European Union countries.

2003

Restructure the EAFE and Europe equity pooled funds — providing greater flexibility for clients in allocating funds between indexed and active management.

Begin voting proxies for international equities to expand our corporate governance oversight and activism.



Start hedging the U.S. dollar to reduce currency risk — by 2010, our hedging activity also includes the euro, the pound, and the yen.

World Health Organization declares **SARS** to be a global health threat, briefly shocking markets.

Events leading to the U.S. invasion of Iraq drive crude oil prices to nearly U.S. \$40 per barrel, and the prospects of another bout of global stagflation look probable.

U.S. economy begins to recover.

2004

Start the unsecured note financing program for our domestic real estate portfolio — to date borrowing over \$1.2 billion at rates well below conventional financing.

Underwrite our first mortgage land-only loan.

Purchase a portfolio of 53 properties in Mexico alongside a consortium of investors — believed to be the largest real estate transaction in Latin American history.

Currency hedging generates \$24.2 million, helping offset the impact of the appreciating Canadian dollar.

Google fleets on the stock market with shares rising at U.S. \$85 — peaking at over U.S. \$711 in 2007.

U.S. home ownership peaks

reaching an all-time high of almost 70 per cent.

A 9.0 magnitude earthquake off the Indonesian coastline triggers a deadly tsunami that affects 11 countries bordering the Indian Ocean.

2005



Commit to the Canada Line

a light rail system in Vancouver, British Columbia — Project Finance International names it the "2005 Infrastructure Deal of the Year for Americas".

The Japanese market rallies 40 per cent on political reform.

Continued low interest rates push investors to hunt for yield and sub-prime mortgages grab market share.

Hurricanes Katrina, Rita, and Wilma hit the Gulf Coast — disrupting Gulf Oil production, causing crude oil prices to reach U.S. \$70 per barrel.

Canadian government eliminates the Foreign Property Rule

removing the 30 per cent limitation of global investments held by Canadian pension plans and RRSPs.

2006

Acquire a one-third interest in Bentall Capital LP (now Bentall), Canada's largest real estate advisor

Complete our first major infrastructure deal with an equity interest in Transesco, Chile's largest electrical transmission company

Launch the Canadian Universe Bond Fund, at the time, one of Canada's largest actively managed bond funds

2007

Commit a record **\$1.7 billion** to new commercial mortgages throughout Canada

Acquire Canadian Hotel Income Properties Real Estate Investment Trust (now Silverbirch Hotels & Resorts) and Delta Hotels Limited, further diversifying our Real Estate portfolio

2008

Transition \$3 billion in public equity assets by restructuring the Active Canadian Equity Fund, the Enhanced Indexed U.S. Fund, Active European Fund, Asian Pool, and establishing four new pooled funds

2009



PUGET ENERGY

Participate in the U.S. \$7.4 billion acquisition of Puget Energy, Inc., Washington state's oldest and largest energy utility

Begin providing hospitality-related mortgage financing within Canada

2010

Invest in Dalrymple Bay Coal Terminal in Australia, adding an **essential transportation infrastructure asset** to bCIC's portfolio

Commodity prices rise sharply

Chinese stock markets soar

on foreign investments – by the end of the decade, China has moved from being the seventh to the third largest economy

Canadian government eliminates the favourable tax treatment of income trusts

The financial crisis

begins to unfold under the weight of sub-prime mortgage investments

Oil goes from U.S. \$66 per barrel to U.S. \$102, and other commodities soar on investor demand

Dow Jones Industrial Average closes at its all-time high of 14,164

Global equity markets **fall 20 per cent** in Canadian dollar terms

The Apple iPhone goes on sale – by 2010, four models have been released

Investors favour commodities and **oil prices peak at U.S. \$147 per barrel**

renewing fears of slower economic growth for some and inflation concerns for others

A year of institutional collapses and shotgun marriages: the collapse of Bear Stearns and Lehman Brothers panics markets, while the Bank of America purchases Merrill Lynch & Co. and JPMorgan Chase acquires the banking operations of Washington Mutual

Credit conditions tighten as liquidity dries up – credit markets seize in September

Authorities pledge to "do whatever it takes" to stabilize global markets and economies. Central banks take extraordinary actions to restore liquidity, cutting interest rates to zero

New U.S. administration takes office, pledging to stimulate the U.S. economy and enhance market regulations

General Motors declares bankruptcy and is bailed out by the U.S. administration

Equity markets reach their lowest levels in March – **stock market prices rise 40 per cent by year-end.**

Nervousness within the markets peaks as stimulus packages are debated

Vancouver hosts the 2010 Winter Olympics and Canada sets a new record for the most gold medals won

Discussions on **financial regulatory reform** gain renewed vigour and are hotly debated

Volcanoes, oil spills and earthquakes remind capital markets of the occurrence of hard-to-predict and high-impact events

Private sector bailouts and stimulus threaten fiscal stability – bond markets begin to punish small countries with weak finances. The **euro zone crisis** begins to unfold

SHARES TRADED

shares traded in 2009-2010, compared to 273,424,700 in 1999-2000

843,510,019

3.9

% allocation to
**PRIVATE
PLACEMENTS**
compared to
1.4% in 2000

12.4

% allocation to
REAL ESTATE
compared to
6.3% in 2000

4.8

% allocation to
MORTGAGES
compared to
2.3% in 2000

32.0

% allocation to
FIXED INCOME
compared to
45.5% in 2000

42.5

% allocation to
PUBLIC EQUITIES
compared to
44.5% in 2000

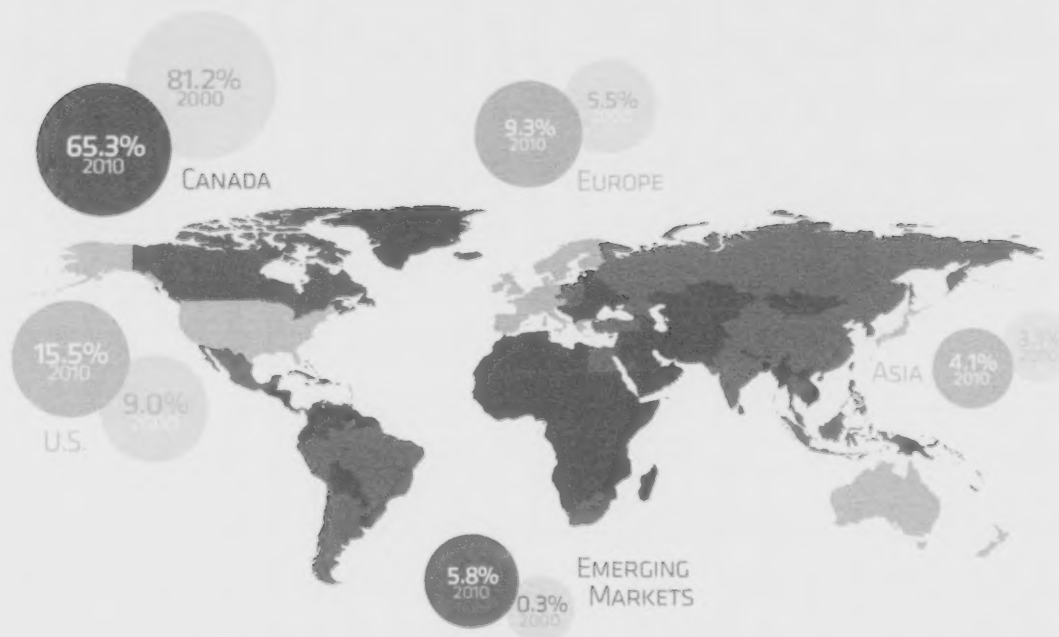
**OUR EXPANDED
INVESTMENT SCOPE**

30.0%

**INCREASE IN ASSETS
UNDER ADMINISTRATION**
since 2000

\$79.7 billion

Or \$79,700,000,000



REGIONAL ALLOCATION OF ASSETS UNDER ADMINISTRATION AS AT MARCH 31, 2000 (\$61.3 billion) AND MARCH 31, 2010 (\$79.7 billion)



Investment
Management
Corporation

bcIMC believes that environmental, social, and governance (ESG) issues affect the **long-term value** of our clients' portfolio companies and assets. Before 2000, our responsible investing activities were limited to proxy voting and investing in energy efficient properties. However over the decade, our awareness has increased and with our clients support,

bcIMC has progressed

with integrating ESG into our investment processes, activities and Business Plan. Although the steps taken to date are noteworthy, the **evolution** of ESG within our **Investment Strategy is an ongoing initiative.**

LOW IMPACT

Proxy Voting

Canadian companies only

Energy Cost Saving Measures

Retrofits, energy efficient appliances, and the adoption of related technology becomes part of our real estate practices.

Responsible Building Design

Incorporate sustainable principles into the design, construction, and operation of our diverse real estate portfolio. Vancouver's first LEED certified building.

UN Global Compact

United Nations launches its Global Compact in 2000, encouraging businesses to adopt and report on sustainable and socially responsible policies. Nine Principles address environmental, labour, and human rights issues. Anti-corruption is added as the tenth principle in 2004.

Carbon Disclosure Project

The CDP sends out its first request to 235 companies for climate change information in 2003. Results are used to motivate investors, corporations and governments to take action against climate change. By 2009, over 2,450 companies around the world disclose information.

A Corporate Governance Focus

Team up with Canadian and international organizations that promote best corporate governance practices. Begin voting international proxies – focusing on governance issues in Europe, Japan, and the U.S. Start our shareholder engagement program, driven by headlines, and restricted to letter writing.

Corporate Scandals

U.S. corporate and accounting scandals hit the headlines in 2001. Responding to investor outrage, the U.S. administration introduces the Sarbanes-Oxley Act, setting new standards for U.S. public companies, and public accounting firms.

Recognizing a Strategic Priority

Amend our **Mission statement** to recognize bcIMC's ESG responsibility and identify Responsible Investing as a priority within our Business Plan. Proxy voting and shareholder engagement becomes a **dedicated function** and a resource is added to manage our responsible property investing activities. Climate change is discussed at the bcIMC Board's strategic retreat.

CCGG Established

The Canadian Coalition for Good Governance is created in 2003 to provide corporate governance within Canadian companies. Issues addressed include majority voting, engagement, say-on-pay, and income trust governance. bcIMC's CEO/CIO, Doug Pearce, served as chair from 2006-2009.

Freshfields Report

Released in 2005 by the UNEPFI, it informs fund managers that the failure to consider ESG issues may lead to a breach of fiduciary responsibilities.

THE EVOLUTION OF bcIMC'S

INFLUENTIAL FACTORS IN

Increasing Social Awareness

With globalization, companies encounter new social issues like HIV/AIDS, human rights, conflict that threaten operations. Consumers and shareholders begin to question companies and corporate responsibility becomes more important.

A Focus on Policies & Frameworks

Endorse the United Nations Principles for Responsible Investment. Revise our *Corporate Governance Principles and Proxy Voting Guidelines*, enhancing governance issues and adding **guiding principles** for social and environmental matters. Prepare *Shareholder Engagement Guidelines*, identifying climate change, human rights, and shareholder rights as our **engagement focus**. Formalize our responsible property investing program, with a stated philosophy and goals.

UN Principles for Responsible Investing

Released in 2006, the Principles provide a framework for integrating ESG issues into investment processes. Institutional investors, including bcIMC, representing U.S. \$2 trillion voluntarily endorse the Principles. Today, over 740 asset owners and investment managers, representing over U.S. \$10 trillion, have committed to the Principles.

Expanding bcIMC's Investment Responsibility

Integrating ESG into our investment processes begins to gain ground. The establishment of the **U.S. Social Index Fund** provides participating clients with exposure to socially screened U.S. equity securities. We provide our first "**green**" mortgage by financing the construction of Canada's first Silver LEED certified building. Commitments are made to **private equity funds** that focus on alternative and renewable energies. bcIMC joins organizations such as the Carbon Disclosure Project, UNEP Finance Initiative, and the Investor Network on Climate Risk to improve our understanding of environmental issues and best practices. We begin measuring the **environmental footprint** of our domestic real estate.

Climate Change

An Inconvenient Truth is released – global warming becomes a household word. *The Stern Review on the Economics of Climate Change* highlights the economic impact of climate change. The UN establishes the Intergovernmental Panel on Climate Change to provide a scientific view on global warming and the socio-economic effects.

CFA – ESG Guidelines

The 2008 release of the *Environmental, Social, and Governance Factors at Listed Companies: A Manual for Investors* by the CFA Institute, helps investors identify and evaluate ESG risks and opportunities.

Becoming Part of bcIMC's Daily Activities

The integration of responsible investing into our investment processes is an ongoing process. We have adjusted our mortgage **risk rating** system, rewarding energy efficient mortgage properties with a better credit risk rating. We also hold **private equity interests** in infrastructure companies such as Puget Energy that are committed to providing renewable energy. We are more active with our **shareholder engagement** and have face-to-face meetings and ongoing discussions on pre-determined topics. **Capital market reform** is a new priority and we have joined other shareholders in calling for greater transparency and shareholder accountability. We continue to **promote acceptance** of responsible investing principles by hosting seminars with our managers and external directors, speaking at conferences, and **furthering the understanding** by participating in research projects with like-minded investors. We are **active owners** and currently vote proxies in 26 markets. Our responsible property investing initiatives now include reporting on emissions and year-over-year variances, and social surveys within our property types. All property level business plans contain "green" strategies and initiatives.

Financial Crisis

A global credit crisis is triggered by declining U.S. house prices. Large financial institutions collapse and governments bail out banks and automakers. As stock markets plummet, governments and Main Street call for capital market reform.



Investment
Management
Corporation

EVOLVING
OUR CLIENT
SERVICES



EVOLUTION OF OUR CLIENT PROFILE
Total Assets: \$61.3 billion as at March 31, 2000
vs. \$79.7 billion as at March 31, 2010

2000

2001

2002

ASSET MIX AND INVESTMENT STRATEGY

After completing asset-liability reviews in 1999-2000, many of bcIMC's pension clients begin increasing their asset allocation target to Private Placements and Real Estate to four per cent and 10 per cent respectively.

With the relaxation of the Foreign Property Rule, bcIMC works with our clients to gradually increase the allocation to foreign assets.



Many of our pension clients increase their target asset allocations for Private Placements and Real Estate to six per cent and 12 per cent respectively.

POOLED FUNDS

31 pooled funds are carried over from bcIMC's predecessor. Our product range includes money market, fixed income, mortgages, private equity, public equity, and real estate. Clients have exposure to the Canadian, Asian, European, and U.S. markets.

New Funds

- North American Equity Fund
- 2001 Vintage Funds* added for Realpool International and Private Placements

Discontinued Funds
TSE100 Indexed Fund

New Funds

- Indexed U.S. Value Equity Fund
- TSX Ex Equity Fund

*Vintage funds launched each year

New Funds

- Enhanced Indexed Canadian Equity Fund
- Infrastructure Fund

New Funds

- Currency Hedging Fund (U.S. dollar)
- Currency Overlay Fund
- U.S. Equity Derivatives Fund

CLIENT SERVICE INITIATIVES

Client service initiatives are expanded to accommodate the joint trusteeship model. "Know our client" becomes more important as client policies are tailored to meet our clients' needs and risk tolerances.

Implement a new performance measurement and attribution system – improving the analytical information in our clients' performance reports.

1st Client Satisfaction Survey – bcIMC receives a satisfied or very satisfied rating from 91 per cent of clients.

Clients receive the first quarterly *CEO Report*.

Introduce detailed fee statements, enabling clients to monitor investment expenses.

Begin to organize the investment sessions for the annual B.C. Public Sector Pension Conference.

Offer the first two-day Trustee orientation session for pension plan clients.

Detailed attribution analysis enhances client performance reporting.

Launch the extranet sites for pension plan clients.

With the elimination of the Foreign Property Rule and the removal of tax-related constraints, bclMC works with clients to ensure the creation of optimal investment portfolios

Allocations to Real Estate and Private Placements are increased after a review of client asset mixes



Prepare asset-liability studies for pension clients, and implement the transition of clients' portfolios to an asset mix with an increased global focus

Many of our pension clients break out strategic investments and infrastructure as a separate allocation in their investment policies

Many clients increase their allocations to mortgages, private equity, strategic investments and infrastructure.

Participate in Mercer-led study to research impacts of climate change on long-term asset allocation decisions

New Funds

- Indexed EAFE Equity Fund
- Indexed European Equity Fund
- Canadian Corporate Investment Grade Bond Fund

New Funds

- Strategic Investments and Infrastructure Fund
- Discontinued Funds
- Infrastructure Fund
 - North American Equity Fund
 - U.S. Equity Derivatives Fund



New Funds

- Canadian Universe Bond Fund
 - U.S. Social Index Fund
- Discontinued Funds
- Canadian Corporate Investment-Grade Bond Fund

New Funds

- Currency Hedging Fund (British pound)
 - Enhanced Indexed EAFE Equity Fund
 - Enhanced Indexed European Equity Fund
- Discontinued Funds
- Canadian Corporate High-Grade Bond Fund
 - Pensions' Government Bond Fund

New Funds

- Active Asian Ex-Japan Equity Fund
- Active Canadian Small Cap Equity Fund
- Active Emerging Markets Equity Fund
- Active Japan Equity Fund
- Active U.S. Small Cap Equity Fund
- Currency Hedging Fund (Japanese yen)

- Discontinued Funds
- Asian Equity Fund

Currency Overlay Fund suspended to protect clients against the risk of counterparty failure during the credit crisis

New Funds

- Active Global Equity Fund
 - Global Government Bond Fund
- Discontinued Funds
- Indexed Government Bond Fund
 - Long-Term Bond Fund

New Funds

- Currency Hedging Fund (euro)

Collaborate with clients on revising bclMC's *Proxy Voting and Corporate Governance Guidelines* reviewing the *Statement of Investment Principles*—improving clarity and flexibility, while ensuring best practices

Clients receive the first *Trends and Issues Report*

2nd

Client Satisfaction Survey – 91 per cent of clients indicate that they are satisfied or very satisfied with bclMC's overall service

Policy and Research Department is renamed as Consulting and Client Services Department

Encouraged by clients, bclMC explores the introduction of responsible investing equity products

Enhance reporting with information on responsible investing and other ESG issues

Complete the comprehensive revision of the

Pooled Fund

Product descriptions – providing clients with enhanced understanding of bclMC's investment funds

Broadcast the first webcast – clients receive quarterly updates on capital markets, the economy, and other emerging issues

3rd

Client Satisfaction Survey – 95 per cent of clients are satisfied or very satisfied with bclMC's services

Advocate for clients on pension reform and the single national securities regulator

Advocate for clients on various tax-related issues

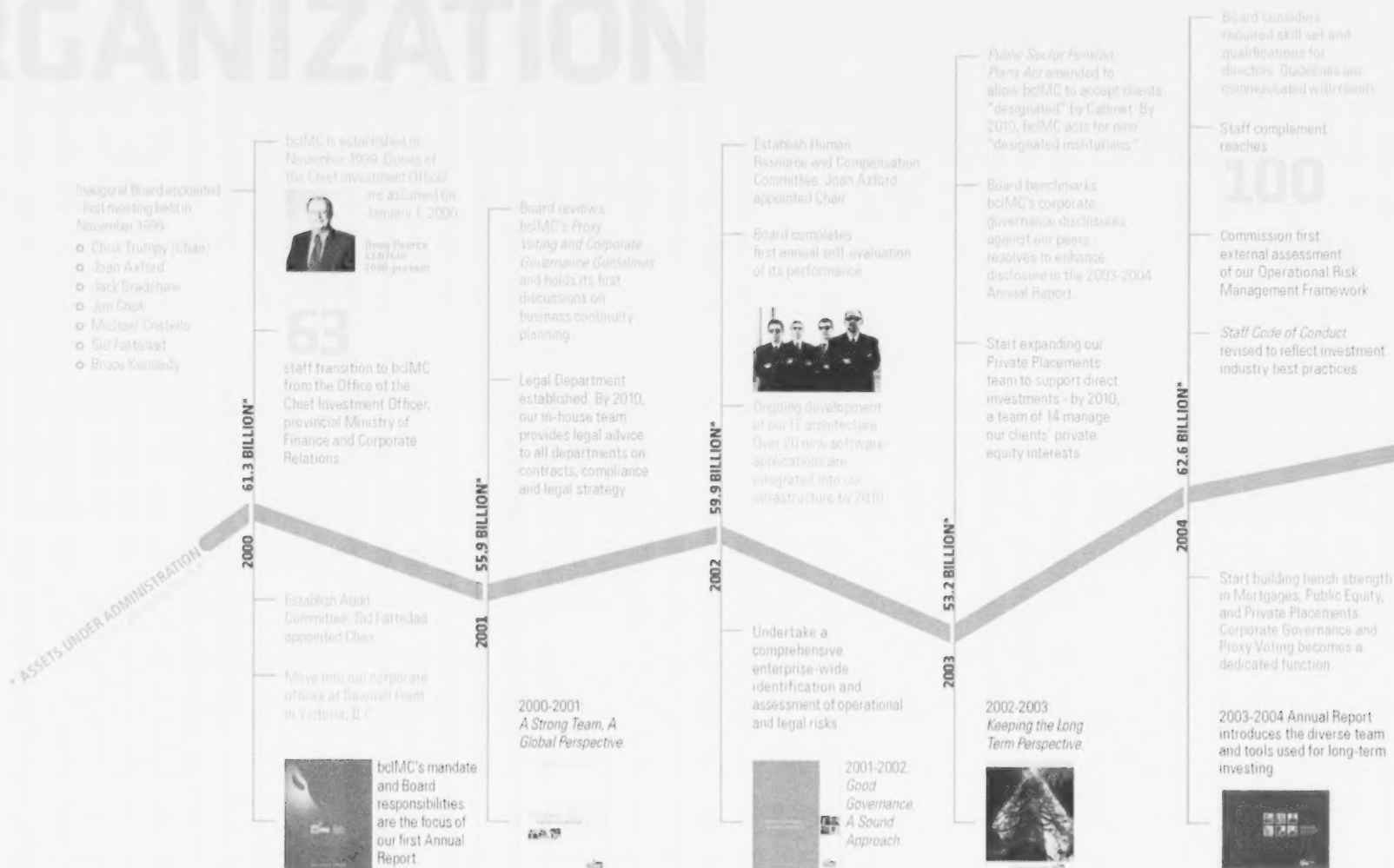
Implement the Client Relationship Management System that allows for the centralization of client information

Introduce more user-friendly and streamlined performance reports



Investment
Management
Corporation

A GROWING ORGANIZATION



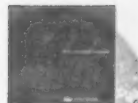
2005 67.3 BILLION*

Mortgage Servicing and Internal Audit added as in-house functions.

Introduction of Legal and Environmental Risk Frameworks formalizes the approaches used.

Policy and Research Department renamed as Consulting and Client Services. Functions include asset liability studies, investment consulting, and performance reporting.

Where in the World Have You Invested? - provides an overview of global diversification of clients' assets.



2006 76.3 BILLION*



Introduce Corporate Apprenticeship program. Since 2006, six graduates have participated in our one-year internship.

2005-2006 bclMC in BC highlights our investment activity within British Columbia.



Voluntarily adopt the Canadian Institute of Chartered Accountants Section 5970 reporting requirements for service organizations.

Board benchmarks governance practices against National Instrument 58-101. Corporate governance disclosure is enhanced in the 2006-2007 Annual Report.

2007 83.4 BILLION*



Chris Trumpy
completes term as bclMC Board Chair
Sid Fattedad
appointed Chair

Human Resources Department established. By 2010, five specialists manage our HR strategy, recruiting, succession planning, career pathing activities and HR operations.

Energy for Change and responsible investing is the theme for the 2006-2007 Annual Report.



2008 85.0 BILLION*

Overhaul of risk policies and practices is the Board's focus. Enterprise Wide Risk Framework and Credit Risk Framework are reviewed.

Establish Research and Risk Measurement department to provide a global investment research capability and enhanced risk measurement services.

Commission external assessment of Environmental, Legal, and Operational Risk Frameworks.

REAL ASSETS are the focus of the 2007-2008 Annual Report.



2009 74.4 BILLION*

eleven additional positions support bclMC's Vision 2020. Capacity is enhanced in asset classes, as well as research, legal, human resources, and client services.

First unqualified audit opinion on Section 5970 Report on Controls over the Investment System.

The 2008-2009 Annual Report looks at bclMC's approach in a year when the capital markets tested investment discipline.



2010 79.7 BILLION*

ASSETS UNDER ADMINISTRATION
See the following chart on p. 16



CURRENT BOARD:

- Sid Fattedad (Chair)
- Joan Axford (HRCC Chair)
- Frank Leonard (Audit Committee Chair)
- Anne Lippert
- Ron McElderm
- Joanne McLeod
- John Wilson

The 2009-2010 Annual Report recognizes bclMC's growth since our establishment as an independent corporation.



167

professionals work in the best financial interests of our clients. 125 were appointed in the last 10 years.

MESSAGE FROM THE CHAIR

This past decade has seen bclMC grow into a world-class organization that is well respected both nationally and internationally.

Much has changed since bclMC was created in 2000. Prior to that time, the Office of the Chief Investment Officer (OCIO), a division of the provincial Ministry of Finance and Corporate Relations provided funds management services to the public sector. Although the OCIO had operational autonomy and a strong record of investment performance, a number of compelling reasons led to the establishment of bclMC as an independent organization.

The first was to increase accountability to clients. bclMC's governing legislation created a model of accountability with a clear mandate, published policies, formal and regular performance measurements, and timely disclosure of our activities – both directly to clients and to the public. Through our Board of Directors, clients gained a direct and active role in overseeing corporate activities. bclMC's largest clients, the four statutory public sector pension plans, directly appoint four directors to the Board, while the provincial Minister of Finance appoints two other client representatives. In the past 10 years, 18 people have served as directors.

The other rationale for creating bclMC was the opportunity to build a dynamic and flexible investment management organization equipped to meet the challenges of managing a global portfolio. Today, bclMC has a national and international reputation of being a professional,



knowledgeable and responsible investment management firm with strong fiduciary standards. This is something that we are proud of and will continue to work hard to maintain.

I am pleased to say that our Board has played a significant role in this accomplishment. Over the past decade, it has been at the forefront in striving to understand and make sense of the changing dynamics and challenges of the investment industry. This has allowed the Board to provide the strategic direction and operational oversight required for a globally focused company like bclMC. A key example was the approval of the policies of pooled investment portfolios enabling clients to diversify their portfolios and invest in a range of asset classes and investment products that includes infrastructure, emerging markets, and global government bonds.

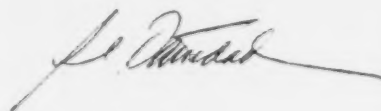
The Board also recognized that a key part of success meant attracting, retaining and developing the best staff to serve our clients. To do so, we put in place a compensation philosophy and structure that aligns staff interests with client objectives. It also allows bclMC – as a global player that competes for investment opportunities – to compete for the best investment and management professionals. Today we have, and are able to keep, the team needed to provide the superior service expected by our clients.

Finally, the Board has played a role in ensuring that bclMC's risk management and governance practices are sound. This has included the introduction of an enterprise risk management framework and approach, the approval of a *Staff Code of Conduct* that requires staff to acquire pre-approval before finalizing personal transactions, and the voluntary adoption of the rigorous Section 5970 reporting.

As we look towards the future, the Board remains committed to demonstrating high governance standards and benchmarking our practices against the best

practices of corporate governance. We have recently started to review our own governance practices against those of private sector companies and best practices. We have also reviewed our Director Orientation, the *Director Code of Conduct*, and Board evaluation process. Governance will remain a Board priority for the immediate future, and our efforts in this area will ensure that bclMC continues to have sound practices.

In conclusion, I would like to thank all Board members of the past 10 years, and Chris Trumpy who chaired the Board until 2008, for their contribution to the establishment and strategic shaping of bclMC. Without their dedication and effort, we would not have been able to succeed. I would also like to thank clients for their continued support. Everything we do is on their behalf, and they have rewarded us by their ongoing confidence and patronage. Finally, a significant amount of recognition must go to Doug Pearce and his staff. Their discipline, enthusiasm, passion and commitment have created a world-class organization.



Sid Fattedad
Chair



REPORT FROM THE CEO/CIO

As bcIMC enters its second decade of existence, a look back demonstrates just how much has been accomplished through the work of our Board, staff and clients.

It was November 1999 that bclMC was established as an independently managed corporation. This removed the function of funds management from a public sector environment and enabled the creation of an organization that is equipped to meet the challenges of investing our clients' assets in a global market.

bclMC has come a long way since the early days in 2000 when "establishment" was the key focus, and we have many things to be proud of. We have achieved our goal of building a corporation that has the breadth and depth of investment expertise that is comparable to the best of our peer group. Our team of 167 highly capable, smart, and hard working professionals are enthusiastic and fully committed to meeting the needs of our clients.

We have been able to do this by building a culture of putting our clients' interests first and working in their best interests. This influences everything we do – our decisions, investment processes and activities. bclMC is ever mindful that our investment activities help finance the pensions of over 440,000 residents of British Columbia, as well as insurance funds that cover over two million workers and 197,000 employers in the province. An indication that our commitment to clients is working comes from the three client satisfaction surveys we have done over the decade. These results indicate that our clients are satisfied or very satisfied with bclMC's service. Clients – and a dedication to serving them – will remain one of our strategic priorities.

One of the reasons we have been able to serve our clients so well over the past decade has been our ability to build a quality, sound and diversified investment portfolio. Over the years, we have participated in some significant infrastructure transactions – Transelec, Thames Water, and Corix to highlight a few. We have also built a quality equity portfolio with investments in "world-class" companies

and we underweighted Nortel in the early years – a move that saved our clients from some significant losses later on.

bclMC has taken the same approach in real estate, building a portfolio of over 53 million square feet of prime commercial real estate. Our activities have included the acquisition of Delta Hotels and CHIP REIT. Our solid mortgage portfolio has had very few write-downs due to our strategic focus on risk management. In addition, we avoided the problems others had with "non-bank sponsored" asset-backed commercial paper and had no exposure to the risky and leveraged products that contributed to the financial crisis of 2008.

As a result of our service and product offerings, bclMC has delivered solid returns for our clients over the past decade. We are very proud of this accomplishment because ours can be a very humbling industry – dynamic and always changing – and as a result, we are continually learning and striving to be better.

We have made significant strides in responsible investing, and in particular the integration of environmental, social and governance (ESG) considerations into our processes. bclMC recognized that we have this responsibility and included it in our Mission statement. Since then, we have expanded our proxy voting activities across our public equity portfolio and developed strategies and guidelines for our proxy voting and corporate engagement programs. Responsible property investing has also been given increasing priority, as has interacting with companies within our private equity portfolios on governance-related matters and – more recently – advocating on issues related to pension and capital market reform. Many of the actions and initiatives have made bclMC a leader in responsible investing.

Underpinning all of these accomplishments has been our constant focus on risk management. bclMC established a solid enterprise risk management framework

and instilled it as part of our culture. The framework has served us well in identifying and mitigating potential risks, many of which are addressed long before they become an issue for our clients.

That we have been able to grow and develop so well over the past 10 years is even more impressive given all of the significant events that occurred in the markets.

It goes without saying that this has been an extremely dynamic decade within the capital markets. We have experienced many "100-year events", significant volatility, seen the growth of emerging economies, and the emergence of long-term trends such as climate change, demographic changes, and the strengthening of new players within the markets themselves. All of these have been challenges that bclMC has had to manage, and will continue to focus on in the future.

There have been a number of unique events to consider and deal with. The build up to "Y2K" reached near hysterical levels with respect to the potential impacts all across the globe. The bursting of the "tech bubble" – and its affect on the NASDAQ – had much greater impacts on the markets themselves. Fortunately, we had reduced our exposure to technology and telecommunications companies in anticipation of weaker equity markets

We have seen international crises that ranged from the 9/11 terrorist attacks in the U.S. to the SARS outbreak and the recent concerns about an H1N1 pandemic. bclMC responded to these events by introducing business continuity plans and procedures, including pandemic plans.

The decade witnessed significant corporate scandals in the U.S. – Enron, WorldCom, and Tyco International – all affecting the capital markets. The scandals in the early 2000s encouraged us to take a keener and more active interest in corporate governance issues, while the financial crisis of 2008 and the conduct of many financial companies has caused us to become involved in capital market reform.

The emergence of China and India on the international stage has also been important. For bclMC and our clients, this has confirmed the importance of having a global outlook and the availability of quality research to help identify investment opportunities and risks.

Last, and certainly not least, we are still recovering from the worst financial crisis and recession since the Great Depression. The impact of a "shadow" banking system and the lack of capital market oversight – with greed not being kept in check by fear – has challenged all investment companies. Although we reduced equity holdings and increased cash, fixed income, and real estate holdings in anticipation of crisis, it still had a short-term impact on our clients' returns.

The last decade has been very challenging from an investment perspective. For the 10 years ending March 31, 2010, bclMC's combined pension return was 4.6 per cent on an annualized basis. Despite this challenging market environment, I am pleased that bclMC's activities contributed \$979 million in additional value over our clients' combined benchmark of 4.3 per cent, net of all investment management fees.

In looking specifically at the investment returns for 2009-2010, clients benefitted in the shorter term from a stronger than expected recovery in capital markets. The one-year annual return net of fees, for our combined pensions was 16.3 per cent. While clients had solid results, bclMC unfortunately did not meet our clients' combined benchmark of 17.3 per cent. Although many of our public equities, fixed income and mortgage funds outperformed their benchmarks, our real estate portfolio detracted from the returns. Declines in real estate valuations typically lag publicly traded investments and the 2009-2010 economic downturn drove property valuations lower, even though income levels (rents) were fairly stable and vacancy rates remained low. I am not concerned; real estate is a long-term asset and we have a sound portfolio of quality properties that over a 15-year period, has

exceeded its benchmark by 4.1 percentage points. We anticipate that it will take another year for the value of the portfolio to recover.

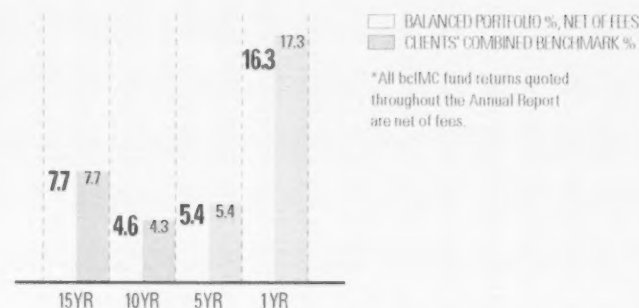
This past year saw a number of highlights beyond the investment returns. We introduced the Active Global Equity Fund and the Global Government Bond Fund, and expanded our currency hedging program to include the euro. These product offerings will provide clients with greater exposure to global markets while providing opportunities to manage currency fluctuations.

We maintained our ongoing commitment to responsible investing by participating in industry-related initiatives such as the Mercer's Climate Change and Asset Allocation study and the Prince of Wales' P8 Group *Climate Solutions Investments Made to Date* project. We also endorsed the Institutional Limited Partners Association's (ILPA) *Private Equity Principles* that addresses governance practices and transparency within the private equity sector. Instituting our new Mortgage Risk Rating system was another noteworthy initiative; properties with energy conservation initiatives will be identified and rewarded with a more favourable credit risk rating.

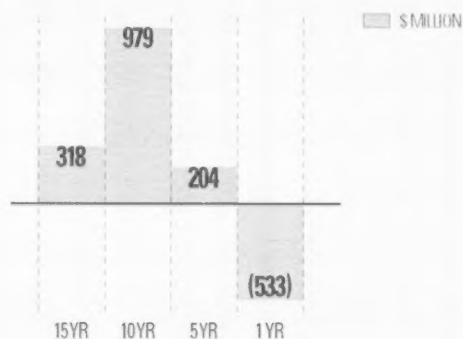
I am proud to report that we received an unqualified audit opinion on our 5970 Report on Controls Over the Investment System. This is the second year in a row for us, and given that it is a rigorous, demanding and purely voluntary process, we view it as quite an accomplishment.

Finally, the year saw a continued commitment by our staff to support the local community through our annual United Way campaign. bclMC staff raised over \$56,000 for this worthy cause, and staff were once again awarded the "Platinum Ten Year Award" from the United Way of Greater Victoria.

bclMC ANNUALIZED PENSION RETURNS Returns for the periods ended March 31, 2010*



CUMULATIVE VALUE ADDED BY bclMC (\$ million) Total pension portfolio return minus benchmark return for the periods ended March 31, 2010



Now that we have reviewed the past – recent and longer term – what is the outlook for the future? From a strategic perspective, bclMC will continue to focus on Vision 2020 and the five outcomes that will help us achieve it.

This starts with an increased investment focus on global and real assets, including emerging markets that match our clients' risk profiles. Progressively greater exposure to real assets can provide returns that may offset inflationary effects, matching well with the obligations of our pension plan clients. A more global product mix will increase the potential for regional and thematic investments.

We will continue expanding the breadth and depth of our team. We depend on the intellectual capital of our staff and we will look to enhance our expertise in the key areas of research, global asset management, and real assets.

Increased complexity leads to increased costs, and we will help mitigate these costs by focusing on more in-house asset management. Our immediate focus will be on public equities. We will also continue to integrate responsible investing information into our investment and risk management processes.

The development of an in-house research group is our fourth outcome. Quality of information is critical for in-house asset management and supports our global and real asset focus. Our initiatives to build a fully functional internal research group – with the appropriate technological support – continues to be a strategic priority

Our final focus area relates to our client service platform. Client relationships are important, and we will continue our effort to integrate a client service culture throughout bclMC. This includes developing the necessary products and strategies, as well as deepening our understanding of our clients.

Within the capital markets, 2010 will likely be known as the year of global sovereign credit risk. Many industrialized nations have run large deficits to pay

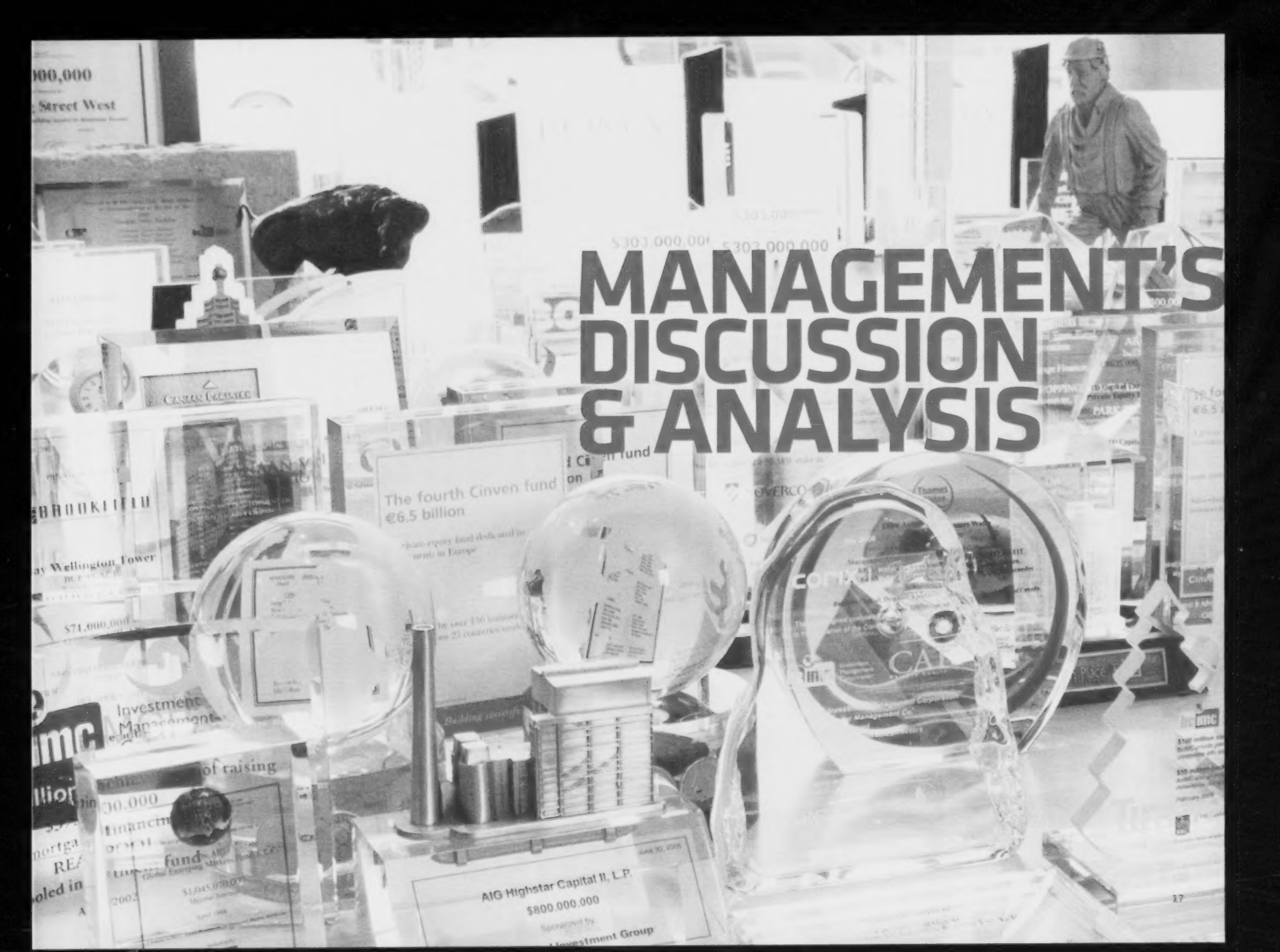
for current consumption, creating a false sense of wealth. Sovereign debt levels are at historic highs (as is personal debt) and debt to Gross Domestic Product ratios will continue to rise, soaring to 200 per cent in some cases. Many banks remain undercapitalized and cannot afford another credit crisis. Investor concerns have led to the movement of assets to safer investments, and markets will remain volatile until the sovereign credit risk is behind us.

Policy makers will continue to work out solutions that allow them to balance the need to stimulate their economies while correcting their balance sheets. Possible solutions include higher taxes, new bank taxes, and tighter regulation of financial markets. The credit crisis has shown that debt and deficits matter and the restoration of balance sheets may be a lengthy process.

In closing, I would like to acknowledge a number of parties for their contributions to bclMC. We remain fortunate to have a knowledgeable and committed Board of Directors – led by Sid Fattedad – and I thank them for their strategic guidance. Clients are the reason we come to work each day, and we appreciate their continued support, particularly during the volatile times of this decade. Finally, a note of heartfelt thanks to the staff - we have come a long way together and I am extremely proud to be part of your team. Thank you.



Doug Pearce
CEO/CIO



MANAGEMENT'S DISCUSSION & ANALYSIS

The fourth Cinven fund
€6.5 billion

“share-riding fund dedicated to
investments in Europe”

Building strength

AIG Highstar Capital II, L.P.
\$800,000,000

Sponsored by
Investment Group

ABOUT bcIMC

OUR MANDATE | *The British Columbia Investment Management Corporation (bcIMC) is an independent organization that provides fund management services to clients within British Columbia's public sector. bcIMC was established in November 1999 by the Public Sector Pension Plans Act and became operational on January 1, 2000.*

Our clients include public sector pension plans, the Province of British Columbia, publicly administered trust funds, public bodies, and designated institutions. bcIMC operates at arms length from the Province of British Columbia and is accountable to our clients.

OUR STRATEGIC CONTEXT | Our Vision, Mission, and Values provide the strategic framework for our investment management activities and supporting operations.

VISION

Our Vision : *We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry and consistently exceeding the performance and service expectations of our clients.*

MISSION

Our Mission : *We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk, at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social and environmental related activities.*

VALUES

Our Values : *Respect: We treat others with courtesy, professionalism, and dignity.
Integrity: We act fairly and ethically in all our dealings.
Honesty: We are sincere and candid in our accountability to clients and other stakeholders.
Trust: We earn client confidence by acting with prudence, diligence, and transparency.*

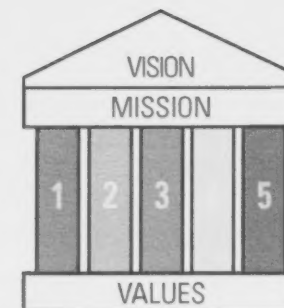
Within this context, our Five Pillars represent the key components of our business, namely Investment Returns, Risk Management, Responsible Investing, Client Service, and Building bclMC. These pillars are integrated into our business planning process, providing the framework for the evaluation of corporate and staff performance.

OUR INVESTMENT PERSPECTIVE | bclMC has a fiduciary responsibility to work in the best financial interests of our clients. We have over 50 clients with mandates that range from money market to very large diversified portfolios. As pension plans are a significant client group, we adopt a long-term perspective and seek value-added returns over the investment horizon that may exceed 30 years.

Our clients' investment needs, return objectives and risk tolerance varies. The long-term horizon of pension plans allows them to take on greater market and liquidity risk to enhance their returns and reduce costs to plan sponsors. By comparison, government and public bodies have shorter investment horizons and seek to minimize risk. As the expectations of our publicly administered trust fund clients vary, investment policies are customized to suit their needs and payment obligations.

Our clients' governing fiduciaries play an important role in the investment process. They approve the fund's investment objectives and performance targets, eligible investments, portfolio diversification, and asset allocation – all in close consultation with our investment team. Our clients' decisions establish policy benchmarks and provide the framework within which we apply our investment discipline.

Prudent management of our clients' assets involves the protection of capital and the management of risk. We are conservative in the implementation of our clients' mandates – we do not short sell equities, we make limited use of leverage, and we use derivatives for cash management purposes only. Investments are diversified across different asset classes and regions to reduce risk. Our investment approach uses a combination of internal and external portfolio managers. As of March 31, 2010, over 63 per cent of assets were managed in-house. Funds include complementary management styles, giving client portfolios some resilience during market cycles.



- 1** Pillar One :
INVESTMENT RETURNS
- 2** Pillar Two :
RISK MANAGEMENT
- 3** Pillar Three :
RESPONSIBLE INVESTING
- 4** Pillar Four :
CLIENT SERVICES
- 5** Pillar Five :
BUILDING bclMC

ASSETS UNDER ADMINISTRATION
 (\$ billion for the year ended March 31, 2010)

	ASSETS \$	ASSETS %
Global Equities	21.7	27.2
Bonds	19.8	24.9
Canadian Equities	12.2	15.3
Real Estate	9.9	12.4
Short-Term Securities	5.2	6.5
Mortgages	3.8	4.8
Infrastructure	3.5	4.4
Private Placements	3.1	3.9
Currency Hedging	0.5	0.6
Total	79.7	100.0

ASSET MIX | As of March 31, 2010, bclMC managed \$79.7 billion in assets, an increase from \$74.4 billion a year earlier.

Under the portfolio management process, each client's funds are invested in a mix of different asset classes that reflect the client's investment objectives and risk tolerance. In some cases a client's funds may be invested in only one or a few asset classes.

OUR PRODUCT RANGE | The pooled investment fund is the primary investment vehicle offered to our clients. Clients buy or sell units in the pools rather than the underlying securities. The pooled fund structure provides economies of scale, allowing large and small clients alike to obtain a more diversified portfolio at lower costs than by investing individually. We manage 67 pooled funds with investment strategies that cover all major asset classes.

Changes in the capital markets at times present new investment opportunities that align with our clients' requirements. This year we wound down two funds (the Indexed Government Bond Fund and the Long-Term Bond Fund) and introduced three new funds:

- The Active Global Equity Fund provides participating clients with exposure to a portfolio of actively managed stocks from around the globe, with a primary focus on developed markets. The fund has a five to 10 year investment horizon and seeks to earn a higher rate of return than its benchmark. Three external managers, operating independently of each other, manage the fund on bclMC's behalf.
- The Global Government Bond Fund is a diversified portfolio of global government debt securities with maturity terms of up to 30 years. Actively managed by bclMC and with a mid-term investment horizon, it seeks potentially higher risk adjusted returns than domestic securities alone can provide.
- We expanded our Currency Hedging program to include other G8 currencies to offer clients the opportunity to manage their currency risk. During the year, we initiated a partial hedge of the euro to mitigate losses resulting from the decline in the value of that currency.

We aim to meet or exceed our clients' investment return expectations, subject to their tolerance for risk and net of costs.

This past year saw the beginning of a recovery in the capital markets, as the world slowly and cautiously started to dig itself out of the worst global recession since the Great Depression.

The equity markets bottomed in March 2009, although at the time it appeared there was no end in sight to the recession. The U.S. economy was continuing to shed hundreds of thousands of jobs a month and Congress was in a furious and high profile debate regarding bank bailouts and fiscal stimulus. The credit markets were largely shut down and it was becoming evident that the economic rot was spreading quickly to Europe. There were increasing fears of a "double-dip recession" as global trade volumes plunged the most since those seen during the Great Depression and the credit freeze-up hit exporters particularly hard.

It turned out there was light at the end of the tunnel. Capital markets began to turn – tentatively at first – but market conditions finally began to ease, partly due to authorities' commitment to do "whatever it takes" to stabilize the global financial system. As a result, liquidity improved and inter-bank lending resumed. Large, credit worthy corporations were once again able to issue bonds, as lenders began to focus on company fundamentals rather than just the macroeconomic environment. As concerns abated, credit spreads slowly narrowed.

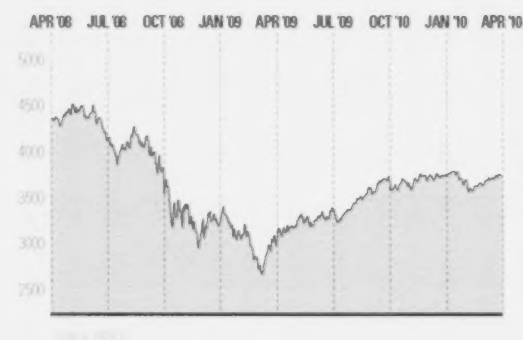
The corporate sector came through the credit crisis and recession in comparatively good financial shape. Although sales and revenues plunged, companies did not have much debt, and there was considerable cost cutting. As well, by mid-2009 it became evident that China and other emerging markets were not as tightly integrated into the international financial system as anticipated. Therefore, they managed to escape the worst of the credit crisis and recession that had so badly affected the U.S., Europe, and Japan.

The strength in emerging markets helped to re-ignite interest in commodities, which boosted prices and resource-heavy equity markets in Canada and Australia. In addition, the reduced credibility of the financial markets and corporate governance in the West made investors even more eager to embrace the emerging markets.

Pillar One : INVESTMENT RETURNS

CAPITAL MARKETS OVERVIEW

MSCI WORLD INDEX SINCE APRIL 1, 2008
TO MARCH 31, 2010
(Total returns in \$ millions)



By the fall of 2009, economic data started to improve. Markets focused on the growth trajectory, and the data seemed to show that a V-shaped recovery was underway - rather than a U-shape or the dreaded L or W.

Even so, it appeared that the markets were largely ignoring the fact that the overall level of economic activity in the major nations was still running well below capacity and was being fuelled by massive monetary and fiscal stimulus. The focus on growth trajectories rather than excess capacity, combined with strong stimulus, led many market participants to fear that inflation was just around the corner. The results were increases in longer-term interest rates and sporadic sell-offs in the bond and equity markets in the fourth quarter of 2009 and the first quarter of 2010.

For equity markets, however, it has mostly been onward and upward. The thaw in credit markets has also led to better conditions in private equity. Deals are emerging as liquidity and financing terms have improved. In addition, there has been a stronger IPO market, allowing for exits from previous deals. The large amount of previously committed capital that fund managers still have to invest remains a drag for this market.

Real estate markets in most of the major countries remain troubled, with too much supply and an overhang of bad loans making lenders unwilling to finance anything new. Canada's residential housing market is one of the few exceptions to this situation.

A test for the economy and markets will come in the second half of 2010, when fiscal stimulus will peter out in many countries and central banks are expected to begin normalizing monetary conditions. Will private demand, which has largely been underpinned by stimulus measures for the last 18 months, take over growth leadership?

Through much of 2009-2010, there were many concerns about the lack of financial reform and eliminating the problem of "too-big-to-fail" mega-banks. As the year drew to a close, the politics swung in favour of reform. Concerns have shifted towards the possibility that substantive reform may actually hurt investments in banks. It may unintentionally sideswipe other financial firms and products such as mutual funds, agricultural futures, and derivative markets.

Pillar One : Investment Returns

Like many other investors, bclMC ended the year with a positive view of the emerging markets. However, we are less favourably inclined toward some of the mature markets such as Europe and Japan. With monetary tightening imminent, fixed income is not looking that attractive either. We will continue to seek opportunities in improving private equity markets.

Fixed Income	15 Years	10 Years	5 Years	3 Years	1 Year
SHORT-TERM					
Short-Term Fund One	3.7	3.1	2.8	2.3	0.2
Dex 30 Day Treasury Bill Index	3.5	3.0	2.6	2.0	0.2
Short-Term Fund Two	4.0	3.4	3.1	2.8	0.5
DEX 91 Day Treasury Bill Index	3.7	3.2	2.9	2.4	0.3
Short-Term U.S. Fund Three	1.6	(0.7)	(0.5)	(2.2)	(19.4)
Citigroup 30 Day Treasury Bill Index	1.1	(1.1)	(0.9)	(2.7)	(19.4)
Short-Term Bond Fund	-	5.4	4.4	5.1	1.0
DEX Short-Term Government Bond Index	6.1	5.4	4.5	5.2	1.1
MORTGAGES					
Fixed-Term Mortgage Fund	-	7.1	6.0	6.2	9.0
DEX Short Term Bond Index +1%	-	6.7	5.7	6.6	4.3
Construction Mortgage Fund	-	6.4	6.3	5.8	4.4
DEX One Year Treasury Bill Index +1%	-	4.9	4.5	4.6	1.9
Mezzanine Mortgage Fund	-	10.4	11.2	14.4	21.2
DEX One Year Treasury Bill Index +2.5%	-	6.5	6.1	6.2	3.4
BONDS					
Universe Bond Fund	-	-	-	5.7	7.7
DEX Universe Bond Index	7.5	6.5	5.2	5.3	5.1

POOLED FUND ANNUALIZED RETURNS AND BENCHMARKS

Fixed Income

Annualized returns and benchmarks (%) for the periods ended March 31, 2010.

Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

Global Public Equities

Annualized returns and benchmarks (%) for the periods ended March 31, 2010. Benchmarks are presented in blue.

Actual pooled fund returns, net of costs, are in black.

Global Public Equities	15 Years	10 Years	5 Years	3 Years	1 Year
GLOBAL EQUITY					
Indexed U.S. Equity Fund	5.6	(4.1)	(1.6)	(8.1)	20.6
S&P 500 Index	5.5	(4.2)	(1.6)	(8.2)	20.6
U.S. Value Index Fund	-	-	(2.3)	(11.1)	24.6
S&P 500/Citigroup Value Index	5.3	(2.0)	(2.3)	(11.3)	24.5
U.S. Social Index Fund	-	-	-	(6.3)	22.9
FTSE KLD 400 Social Index	6.0	(4.5)	(0.9)	(6.3)	23.1
Enhanced Indexed U.S. Equity Fund	-	(4.6)	(1.7)	(8.5)	21.4
S&P 500 Index	5.5	(4.1)	(1.6)	(8.2)	20.6
Active U.S. Equity Fund	5.7	(3.3)	(0.6)	(7.0)	24.3
Russell 1000 Index	5.7	(3.9)	(1.2)	(8.0)	22.0
Active U.S. Small Cap Equity Fund	-	-	-	-	23.1
Russell 2000 Index	5.7	0.0	(0.2)	(8.0)	31.0
Indexed European Fund	-	-	0.2	(11.3)	26.2
Enhanced Indexed European Fund	-	-	-	-	23.7
Active European Fund	-	-	(0.8)	(13.9)	23.2
Combined European ¹	-	(2.7)	(0.4)	(12.7)	24.5
MSCI Europe Net Index	5.4	(1.8)	(0.1)	(11.7)	25.9
Indexed EAFE Fund	-	-	0.5	(10.6)	24.6
Enhanced Indexed EAFE Fund	-	-	-	-	24.6
Active EAFE Fund	-	-	(0.9)	(11.9)	27.3
Combined EAFE ¹	-	(2.4)	(0.7)	(11.8)	25.4
MSCI EAFE Net Index	2.6	(2.3)	0.2	(10.9)	24.5
Japan Fund	-	-	-	-	10.9
MSCI Japan Net Index	(3.3)	(6.4)	(2.2)	(12.8)	11.2
Asian ex Japan Fund	-	-	-	-	45.6
MSCI AC Asia Pacific ex Japan Net Index	-	-	8.8	(0.5)	42.6
Combined Asian Fund ¹	-	(1.7)	4.7	(3.6)	36.5
MSCI All Country Asia Pacific Net Index	(0.5)	(2.5)	2.5	(6.7)	27.4
Active Emerging Markets Equity Fund	-	-	-	-	38.1
MSCI Emerging Market Net Index	-	-	11.6	0.8	46.0

¹ Net a pooled fund return.

Pillar One : Investment Returns

Canadian Public Equities	15 Years	10 Years	5 Years	3 Years	1 Year
CANADIAN EQUITY					
Indexed Canadian Equity Fund	9.8	5.2	7.9	(0.2)	41.0
S&P/TSX Equity Index	9.3	4.8	7.6	(0.6)	40.7
Canadian Enhanced Indexed Equity Fund	-	-	7.9	0.2	40.5
S&P/TSX Capped Equity Index	-	-	7.6	(0.6)	40.7
Active Canadian Equity Fund	10.3	7.5	6.4	(0.6)	44.2
S&P/TSX Capped Equity Index	9.7	5.2	7.6	(0.6)	40.7
Active Canadian Small Cap Equity Fund	-	-	-	-	67.5
S&P/TSX Small Cap Equity Index	-	-	1.4	(8.7)	79.2

	15 Years	10 Years	5 Years	3 Years	1 Year
PRIVATE PLACEMENTS					
Private Placement Pools ¹	-	2.8	5.4	(1.0)	7.2
Bank of Montreal Small Cap Index 10 Year Annualized +4.5% ¹	15.0	13.7	13.4	12.0	13.0
REAL ESTATE					
Realpool Domestic	10.0	9.3	10.1	2.5	0.0
Canadian CPI +4%	5.9	6.0	5.7	5.3	5.4
Realpool International ¹	-	-	(2.9)	(16.7)	(35.6)
Canadian CPI +7% ¹	8.9	9.0	8.7	8.6	8.3
STRATEGIC INVESTMENTS and INFRASTRUCTURE					
Canadian Public Equity	-	-	8.3	(1.9)	51.8
Private Placements ¹	-	-	-	10.6	8.8
Real Estate ¹	-	-	-	(5.9)	(14.7)
8% Nominal Benchmark	8.0	8.0	8.0	8.0	8.0

¹ The Private Placements, Realpool International, and Strategic Investments and Infrastructure assets are illiquid in nature, and as such they are valued annually at December 31. Asset returns are calculated as at December 31, 2009 using the Horizon Rate of Return methodology. These returns reflect the condensed activity in all the vintage year pool funds and WinkSafellC Accident segregated investments for the performance period. At the time of publishing the Annual Report, the financial statements for the illiquid asset pools are unaudited. Benchmark returns are calculated using the Time Weighted Rate of Return methodology.

Canadian Public Equities

Annualized returns and benchmarks (%) for the periods ended March 31, 2010.

Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

Private Placements, Real Estate, and Strategic Investments and Infrastructure

Annualized returns and benchmarks (%) for the periods ended March 31, 2010, except where noted.

Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

FIXED INCOME AND FOREIGN CURRENCY

PORTFOLIO OF FIXED INCOME
Assets as at March 31, 2010



TOP FIVE PUBLIC MARKET CURRENCY EXPOSURE
as at March 31, 2010

CURRENCY	CS (billion)
U.S. DOLLAR	10.2
EURO	3.2
BRITISH POUND	1.8
JAPANESE YEN	1.8
AUSTRALIAN DOLLAR	0.7

Fixed income securities provide predictable cash flows and tend to offset the volatility of equities. Having greater certainty of income, they stabilize a diversified portfolio.

bclMC manages six short-term money market and fixed income pools diversified by duration and government and investment-grade corporate securities. Our portfolios include global and Canadian government bonds (both federal and provincial), agency bonds, and investment-grade corporate securities. We also have a portfolio of real return bonds issued by provincial governments and the Government of Canada. With a fixed income and short-term securities portfolio of \$25 billion and a currency hedging program of almost \$510 million, bclMC is a major player in the Canadian capital markets.

During the year, we introduced the Global Government Bond Fund which holds bonds from 13 different countries in eight different currencies. With the currency exposure hedged back to the Canadian dollar, this new fund provides further diversification for clients, as well as the potential for high risk adjusted returns for those invested in bonds.

We wound down the Indexed Government Bond Fund and the Long-Term Bond Fund and transferred clients' assets into the Canadian Universe Bond Fund. This move provides clients with greater exposure to investment-grade corporate bonds.

All of our fixed income pools are actively managed in-house to add value, both in terms of enhanced returns and/or reduced risk. With this approach, portfolio managers look for investment opportunities that deviate from that of the benchmark or market index; the less efficient the market is, the greater the potential to add value. This helps support the overall goal of outperforming our benchmarks.

bclMC's foreign currency exposures are managed through a hedging program with emphasis on the relative value of the Canadian dollar. We use a combination of fundamental, technical, and geopolitical analysis to determine the currency's relative value. Large relative valuation discrepancies result in active hedging positioning. For example, due to concerns about Europe, we implemented a partial hedge on clients' exposure to the euro.

Pillar One : Investment Returns

This past year can be characterized as the "Year of Credit". As the world slowly began to climb out of the worst recession since the Great Depression, liquidity returned to the corporate bond market. While markets remained volatile and investor confidence uncertain, an overall increase in risk tolerance began to return and yield spreads on corporate bonds narrowed substantially through the year.

Operating in this environment, returns for our fixed income investments were mixed. The Universe Bond Fund outperformed its benchmark by 2.6 percentage points. Our overweight position in corporate bonds and positive carry due to the steepness of the yield curve contributed to the fund's performance. Our Short-Term Bond Fund narrowly missed its benchmark.

Our short-term money market funds generally met their benchmarks. Short-Term Fund Two, which invests in Canadian government and corporate debt securities, outperformed its benchmark by 0.2 percentage points.

Over the longer term, our money market and bond portfolios have generally outperformed their benchmarks, adding cumulative value for our clients.

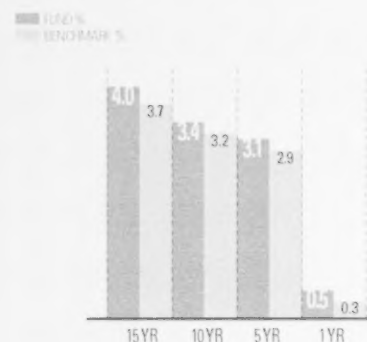
Looking ahead to next year, the bond market is expected to be difficult with increased government issuances, the higher availability of credit, a general economic recovery leading to higher interest rates, and the potential of rising inflation. bclMC is taking these aspects into consideration as we work to support our clients' investment goals.

FIXED INCOME

With the shift of clients' assets towards private markets, real estate and other tangible assets, the overall allocation to fixed income and short-term money markets has decreased from 45.5 per cent to 32.0 per cent. Despite these moves, we continued to anticipate and respond to capital market changes. The Canadian Universe Bond Fund was launched in 2006; at over \$15 billion, it is currently bclMC's largest investment pool. We introduced Maple Bonds as allowable investments, and initiated and expanded our currency hedging program. The adoption of electronic trading platforms for fixed income and foreign currency has enhanced liquidity and generated annual savings of \$2.5 million.

SHORT-TERM FUND TWO PERFORMANCE

Annualized returns for the periods ended March 31, 2010



MORTGAGES

MORTGAGE HOLDINGS BY FUND TYPE
as at March 31, 2010



MORTGAGE HOLDINGS BY PROPERTY TYPE
as at March 31, 2010



Mortgages are a hybrid investment, a mix of fixed income with real estate as a security. They offer clients an attractive, risk-averse investment that not only pays monthly, but also sees its risk decrease while the underlying value of the real estate asset appreciates over time.

We manage three mortgage pool funds – the Fixed Term Fund, the Construction Fund, and the Mezzanine Fund – with a total value of \$3.8 billion, making us a significant lender to the Canadian commercial real estate industry. Our funds are diversified by loan, geography, and property type and focus on the retail, office, industrial and apartment sectors – none of them involve single family dwellings. bclMC does not securitize loans as a matter of policy.

All three mortgage funds are actively managed and serviced by bclMC. To help deal with mortgage risk, we are significantly involved in activities that include detailed underwriting, credit and financial analysis of all major tenants, guarantors, and borrowers. To enhance our efforts in this area, the Mortgage Department developed and implemented a new Risk Rating System that factors energy efficiency features into the valuation of these properties. Energy efficient buildings are becoming increasingly popular with many companies, as they are preferred by employees and provide operational savings. Both of these factors are serving to lower the vacancy risk. By fiscal year-end, our mortgage portfolio contained 216 loans.

bclMC also takes a disciplined approach to our in-house mortgage servicing operation. Mortgage servicing activities include overseeing all payments, cash flows, discharges, insurance expiries, and borrower property tax payments. For the 2009-2010 year, total investment commitments were \$1.1 billion, with 27 new mortgage investments. Included was the construction financing for two hotel developments, one of which was the Hotel Georgia in Vancouver, British Columbia, whose installation of geothermal heating will be an additional attraction for prospective tenants.

All of the Mortgage Fund returns were strong for the year, beating their respective benchmarks. We took full advantage of stress and volatility in the market place to achieve record high credit spread premiums on all

Pillar One : Investment Returns

new mortgage investments, while incurring nominal credit risks. We mitigated risks on new transactions with conservative transaction financing, focusing on "centre ice" locations within major Canadian cities, and providing financing to large, "best in class" borrowers with strong balance sheets and experience levels.

The Fixed Term Fund saw \$400 million in new investments with record spreads that averaged 404 basis points. As a result, it beat its benchmark by 4.7 percentage points. Narrowing mortgage spreads, record high spreads on new mortgage investments, and no loan loss provisions (despite a challenging business environment caused by the recession) contributed to the fund's performance.

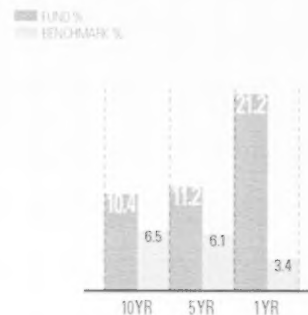
The Construction Fund saw \$580 million in newly committed developments. The Mortgage Department was successful in negotiating record-setting interest rate floors - or minimum interest levels - for virtually all of the new transactions. The Construction Mortgage Fund's performance was 4.4 per cent, beating its benchmark by 2.5 percentage points.

The Mezzanine Fund also experienced a record setting year by outperforming its benchmark by 17.8 percentage points. Performance is the result of the direct investments, third party mortgage funds, and narrowing credit spreads.

Going forward, bcIMC will continue to apply the same disciplined approach to mortgage investments and take advantage of market developments that are in our clients' best financial interests. We will also implement a number of the suggestions received last year from our first Borrower and Broker Mortgage Survey, conducted by Ipsos Reid. Key business clients gave a 92 per cent satisfaction rating of our customer service. Qualitative feedback also provided insights into how bcIMC may enhance our mortgage program and other client-related services.

MEZZANINE MORTGAGE FUND PERFORMANCE

Annualized returns for the periods ended March 31, 2010



MORTGAGES

The past decade has seen a number of significant accomplishments for bcIMC in the mortgage area. To date, over 420 loans, valued at more than \$7.9 billion, have been financed. More recently, we began favouring projects that incorporate environmentally sound design principles, and have funded over \$830 million in "green" mortgaged properties. Our mortgage policies were amended in 2008 to allow hotel-related mortgage financing, providing clients with higher yields and greater diversification. Mortgage servicing was brought "in-house" in 2005. This initiative improved borrower services and created annual operational savings of \$1.2 million.

PRIVATE PLACEMENTS

REGIONAL DISTRIBUTION OF PRIVATE PLACEMENTS
as at March 31, 2010



PROGRAM DIVERSIFICATION BY FINANCING TYPE
as at March 31, 2010



Private placements are privately negotiated investments in private and public companies requiring capital for start-ups, expansions, new developments, restructurings, and acquisitions.

A broadly diversified private equity program offers clients the potential to enhance returns relative to traditional asset classes – like fixed income and public equities – and to contribute to the overall diversification of clients' assets.

bcIMC is one of Canada's leading private equity investors, with a portfolio valued at \$3.1 billion. Our program is diversified by geography, industry sector, market, and the different stages of company growth and development. We invest with leading private equity managers around the world, complimented by selective co-investment and direct investments with core partners. As of the end of the year, we maintained relationships with 55 external managers and held 165 private equity investments.

We take a disciplined, long-term approach to private placements that includes a significant amount of due diligence prior to any investments being made. Potential fund managers are assessed according to the quality and breadth of their team, their investment strategy and experience, advantages they may have in identifying investment opportunities, and their potential to generate returns relative to the overall risk. Post investment, we monitor the fund's progress on an ongoing basis to ensure our clients' financial interests are maximized. In 2009-2010, over \$695 million was committed to 13 new funds, including Blackstone Capital Partners and TA Associates.

With co-investments and direct investments, we evaluate market, industry, and company-specific risks and projected returns. bcIMC also contracts third-party advisors to assist with environmental, legal, and other company-specific assessments and risks. Once invested, we often exercise the right to appoint directors to company boards and work with management to guide the company's strategic direction, promote good governance, and ensure our clients' interests are represented.

Compared to 2008, 2009 saw a marked reduction in the capital raised by private equity managers and an overall decrease in the number and value of private equity transactions. The slowdown in private equity markets allowed managers to focus on existing portfolio companies and assist their management teams in navigating difficult economic conditions and a challenging financing environment. Most transactions were completed at

Pillar One : Investment Returns

much lower valuation multiples, with notably reduced leverage – suggesting that these transactions have the potential to produce attractive returns. Strengthening public equity markets and a stabilizing global economy in 2009, contributed to the improved performance of the portfolios of many private equity investors. The operations of portfolio companies strengthened and publicly traded valuation comparables increased.

Preliminary 2009 returns for our Private Placements program were 7.2 per cent. Despite solid underlying performance from the portfolio, the rapid appreciation of the Canadian dollar relative to the U.S. dollar and euro dampened investment returns from our U.S. and European investments. This currency effect led to an underperformance of our returns of 5.8 per cent relative to our one-year benchmark of 13.0 per cent.

Over a 10-year horizon, the program returned 2.8 per cent. Significant sector weight differences between the portfolio and the program benchmark as well as the long-term appreciation trend of the Canadian dollar relative to a number of foreign currencies were key components of underperformance relative to our benchmark.

During the year, we were more active in executing both direct and co-investments. We completed our first co-investment in Asia, and worked with our long-standing partner Advent International to make an attractive investment in Fifth Third Processing Solutions, a debit and credit card processing company. We also appointed one new director to a company board within our portfolio. Over the course of the year, we distributed over \$166 million to clients participating in the program.

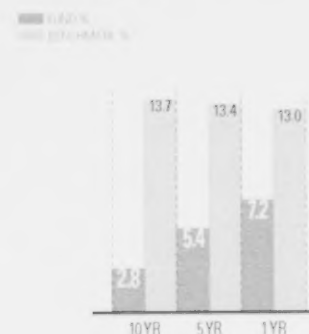
Looking forward into 2010, we expect liquidity to continue to improve. A disciplined investment pace the last number of years continues to favourably position bclMC to take advantages of new opportunities in the market.

2000 2005 2010 PRIVATE PLACEMENTS 2000 2005 2010

Over the decade, the Private Placements program has grown considerably, moving from 1.4 per cent to 3.9 per cent of assets under administration. During this period, the team has more than tripled in size and our investment focus has evolved from a reliance on external fund managers to one in which we compliment the skill and investment acumen of these managers with an active in-house direct and co-investment program. Ten direct investments have been concluded during this period. We have also broadened our private equity commitments to include distressed, restructuring, and mezzanine funds.

PRIVATE PLACEMENT POOLED FUND PERFORMANCE

Annualized returns for the periods ended December 31, 2009*



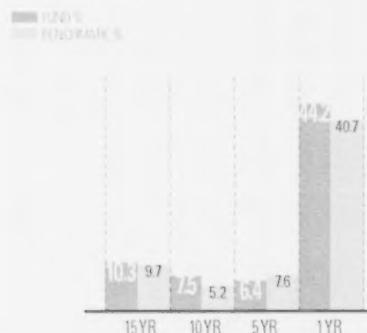
* Actual returns are based on the net asset value of the fund as of December 31, 2009. Benchmark returns are based on the net asset value of the fund as of December 31, 2009. The benchmark is the S&P 500 Index. The actual returns are based on the net asset value of the fund as of December 31, 2009. The benchmark is the S&P 500 Index. The actual returns are based on the net asset value of the fund as of December 31, 2009. The benchmark is the S&P 500 Index.

PUBLIC EQUITIES

REGIONAL ALLOCATION OF PUBLIC EQUITIES
as at March 31, 2010



ACTIVE CANADIAN EQUITY FUND PERFORMANCE
Annualized returns for the periods ended
March 31, 2010



Public equities – which involve buying shares in publicly-traded companies – offer the potential of higher long-term returns than fixed income investments while subject to higher risk and short-term price volatility.

Clients have a choice of 20 domestic and international pooled equity funds, diversified by geography and investment style. With equity holdings of \$33.9 billion, bclMC continues to be one of Canada's leading institutional investors in the equity markets.

We adopt a mid to long-term investment horizon (five to 10 years) and are conservative in nature. We use long only strategies, and place emphasis on diversification and quality companies. Derivative instruments are used for cash management purposes only.

Indexed Funds are managed internally, providing clients with direct and low cost exposure to securities that closely match a benchmark index. Careful management of asset allocations, index changes, and security lending enhances performance.

Both bclMC and external managers oversee our Enhanced Indexed Funds. These funds are intended to generate a moderate level of return over and above the index benchmark with a moderate amount of additional risk.

Active Equity Funds, with a higher risk profile, offer the highest potential returns through individual stock selection. Multiple external managers employing a range of investment styles (including value, growth, and market oriented) manage these funds. New this year was the Active Global Equity Fund, which provides clients with global exposure to quality companies primarily in the developed markets. Three external managers, operating independently of each other, manage the fund on bclMC's behalf.

Of the 20 equity funds, 11 exceeded, one met, and eight underperformed their benchmarks. Returns for our Canadian funds were mixed. Our Active Canadian Equity Fund exceeded its benchmark by 3.5 percentage points, while the Active Canadian Small Cap Equity Fund missed its benchmark by 11.7 percentage points, albeit in an

Pillar One : Investment Returns

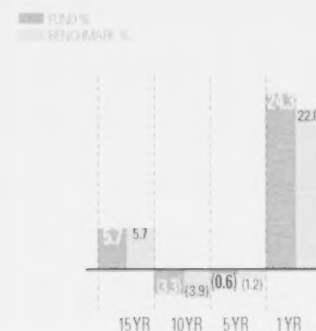
environment where small cap stocks returned almost 80 per cent. Our Canadian Enhanced Indexed Equity Fund very slightly underperformed.

Returns for our U.S. Funds continued to be mixed. The Active U.S. Equity Fund returned 24.3 per cent, exceeding its benchmark by 2.3 percentage points. The S&P 500 Equity Index Fund met its benchmark, and although the U.S. Social Index returned 22.9 per cent, it underperformed its benchmark.

International fund results were pleasing and five funds exceeded their benchmarks. Highlights included the strong performance by the Active Asian ex Japan Fund that beat its benchmark by three percentage points. Our Active Emerging Markets Equity Fund earned 38.1 per cent but missed its benchmark by 7.9 percentage points. However, as this fund is in the process of being funded, this result is not a concern.

We expect the public equity market trends of the past year to continue into 2010. Markets will remain volatile, driving the need for short-term tactical strategies to meet the investment needs of our clients.

ACTIVE U.S. EQUITY FUND PERFORMANCE Annualized returns for the periods ended March 31, 2010



PUBLIC EQUITIES

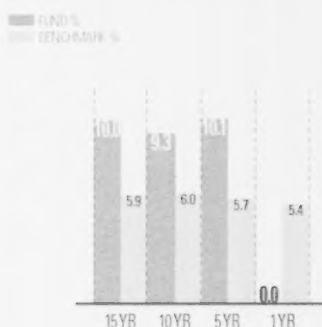
The public equities area of bclMC has seen strong growth over the past decade. Staff has increased four-fold, and the number of funds has grown from six to 20. The new products have given our clients broader exposure to international markets, as well as providing participating clients with exposure to socially screened U.S. equity securities. About 61 per cent of the equity assets are managed internally (compared to 23 per cent in 2000) with 28 leading asset managers contracted to manage 47 equity mandates.

REAL ESTATE

DOMESTIC REAL ESTATE ASSETS BY PROPERTY TYPE
as at March 31, 2010



DOMESTIC REALPOOL FUND PERFORMANCE
Annualized returns for the periods ended
March 31, 2010



Real estate is an asset class that generates attractive cash flows in the short-term with additional capital appreciation in the long-term.

bclMC's combined domestic and international real estate portfolio is valued at \$9.9 billion. In Canada, we manage over 53 million square feet of institutional-grade space that includes office, industrial, multi-family residential, retail, and hotels. We also have interests in four domestic real estate management companies. Internationally, our real estate activity includes fund investments, direct investments, joint ventures, and interests in real estate management companies.

We invest in assets diversified by property type, location, investment size, and investment risk. We focus on acquiring properties in geographic regions with strong and growing economies. Investments are made when there is a reasonable expectation that our targeted returns can be achieved over a ten-year horizon. Our policy is to divest assets when we believe their value has been optimized and capital can be better deployed elsewhere. During the year we divested seven domestic properties, realizing almost \$150 million.

We currently manage six active developments throughout Canada; once completed these will increase our portfolio by almost two million square feet. Two new development projects were announced during the year: a new 173,000 square foot Vancouver office building at the Broadway Tech Centre (pre-leased to HSBC Canada with completion scheduled for early 2012); and 18 York Street, a 26-storey downtown Toronto office building and substantially pre-leased to PriceWaterhouseCoopers.

Due to appraisal-based valuation declines and despite relatively strong occupancy rates and rental income, the total return for our domestic real estate was flat for the year. However when measured against our four-year rolling benchmark, total returns compared favourably (6.8 per cent compared to a benchmark of 5.6 per cent.) In anticipation of weak rental markets, we proactively renewed leases of significant tenants throughout the portfolio and extended the duration of rental income.

With commitments of over \$1.5 billion, our international program aims to provide investors with real estate returns that are higher than the domestic program. Investments are usually structured as limited partnerships or

Pillar One : Investment Returns

private companies. Our clients currently have exposure to real estate investment in Asia, Brazil, Europe, Mexico, the U.K., and the U.S. We implement a partial currency hedge for real estate investments with exposure to the euro and U.S. dollar.

Our international program underperformed its benchmark by 43.9 percentage points. Although global real estate markets have begun to show signs of recovery, the pace of recovery varies by region. Prices for properties in prime locations, such as London and Paris, have partially recovered, whereas markets such as Mexico have lagged the global recovery. Some of our external managers will be better positioned than others to take advantage of these opportunities.

On a multi-year basis, our international portfolio returned (2.9) per cent over a five-year period. Declining valuations for global assets and the appreciation of the Canadian dollar were key components of the under-performance of our portfolio relative to the benchmark.

Looking ahead, income flow remains solid within our domestic portfolio as our properties are well leased with a manageable amount of lease space maturing in the near future. Overall, bclMC's domestic real estate portfolio remains one of the highest quality portfolios in Canada given its exposure to creditworthy tenants, the quality of buildings, and its low portfolio debt. Internationally, while markets have begun to recover slowly, there remains significant lingering problems that will affect the near term success of our activities.

REGIONAL DISTRIBUTION OF REAL ESTATE PORTFOLIO
as at March 31, 2010



REALESTATE

In its second decade of growth, we continued to build a highly diversified and difficult to duplicate portfolio of quality assets across Canada. Since 2000, the portfolio has grown from \$3.8 billion to \$9.9 billion and from 25 million square feet to over 53 million square feet and is well positioned to provide a steady and substantial cash flow over time. Our properties have received numerous awards for property management, excellence in resource conservation, emergency preparedness, and the achievement of environmental and socially responsible goals. The expansion of our international portfolio has also added global diversity for our clients.

STRATEGIC INVESTMENTS AND INFRASTRUCTURE

REGIONAL DISTRIBUTION OF STRATEGIC INVESTMENTS AND INFRASTRUCTURE FUND
as at March 31, 2010



STRATEGIC INVESTMENTS AND INFRASTRUCTURE FUND BY ASSET CLASS
as at March 31, 2010



This program provides participating clients investment exposure to infrastructure and other strategic assets. It is constructed to offer the potential of attractive long-term returns that are characterized by strong dividends and low investment turnover within the portfolio.

Our Strategic Investments and Infrastructure Fund (SIIF), valued at \$3.5 billion, consists of private and public equity positions with exposure to infrastructure, oil and gas reserves, timberlands, and other strategic sectors. Our activity within the program includes active participation by our Private Placements, Public Equity, and Real Estate departments.

We seek opportunities on a global basis and work with a broad range of investment partners, including Canadian pension plans, external managers, and companies operating within the infrastructure space. Private market positions are typically long-term investments with holding periods of at least 15 to 20 years. This allows our SIIF investments to mature and grow in value and matches well with the long-term liabilities of many of our clients.

The private market portfolio focuses on regulated and contracted assets such as electricity generation and transmission lines, oil and natural gas pipelines, water and wastewater services, as well as transportation-related projects and companies. In the past year, infrastructure assets generally felt the effects of the global economic slowdown. Depressed valuations and the lack of financial support for new transactions requiring debt financing slowed the pace of acquisitions and the financing of infrastructure assets globally.

Within this environment, we committed over \$255 million to new strategic investments. This included an investment in the Dalrymple Bay Coal Terminal in Australia. This ocean port terminal provides an essential metallurgical and thermal coal export point from Australia to world markets. Other transactions during the year included a follow-on equity investment in U.S.-based utility, Puget Energy, and an equity contribution to InTransit, the concessionaire of the Canada Line, a light-rail transportation system in Vancouver, British Columbia. We also established a new external manager relationship by committing to the Brookfield Americas Infrastructure Fund, providing exposure to infrastructure assets in North and South America.

Pillar One : Investment Returns

The private placement portion of the program weathered the economic downturn, and generated healthy cash distributions with preliminary returns of 8.8 per cent in 2009 and 10.6 per cent over a three-year period, compared to a benchmark of 8.0 per cent. This strong performance reflects a core portfolio of large utilities and other stable infrastructure holdings that have delivered stable returns and relatively high cash yields over time.

The public equity aspect of the program focuses on publicly-traded Canadian companies with an emphasis on real assets. The Canadian Equity Fund component of the SIIF benefitted from strong performance from a number of names in the Energy, Materials, and Economic Infrastructure sectors to return an unprecedented 51.8 per cent. Over a five-year period, this component of the program has returned 8.3 per cent against a benchmark of 8.0 per cent.

The real estate portion has a global mandate and currently holds timber-related assets. Exposure includes direct ownership and externally managed fund investments in timberlands and related operations. Local timber market conditions continue to be strained, and with prolonged weak U.S. housing starts, timber exports are expected to remain depressed. Within this environment, our timberland portfolio missed its benchmark on a three-year and one-year basis, returning (5.9) per cent and (14.7) per cent respectively. Despite these challenges, we continue to believe that the long-term outlook for Canadian and global timberlands remains attractive.

Looking ahead, we expect a gradual economic recovery that will support increased investor demand for infrastructure opportunities. Our investment discipline over recent years places bcIMC in a favourable position to take advantage of future opportunities.

STRATEGIC INVESTMENTS & INFRASTRUCTURE

Since its inception in 2002, the program has grown considerably, representing 4.4 per cent of assets under administration. To date bcIMC has committed over \$3 billion to a diverse portfolio of tangible assets around the world. Investment activity includes 11 direct investments, 14 fund investments, and purchasing shares in publicly-traded companies. Over the last eight years, we have developed in-house sector expertise in electric and gas utilities, water and wastewater, power generation, ports, and transportation.

Pillar Two : RISK MANAGEMENT



bcIMC takes an enterprise-wide approach to risk management, addressing the risk factors in all areas of our operations.

We strive to continually identify and manage enterprise-wide risks that could affect investment outcomes and impact operational efficiency, as well as our reputation.

Effective risk management - for market, credit, environmental, legal, and operational risk - underpins everything we do at bcIMC.

Investors are generally compensated with higher returns for taking additional market and credit risk. However, investors are not rewarded for exposure to environmental, legal, and operational risks. We take an enterprise-wide approach to risk management, addressing these risk factors in all areas of our operations.

Our goal is to identify emerging risks and take steps to mitigate these risks. This allows us to protect invested funds, pass on lower costs to our clients, and ensure the continuity of our business. At bcIMC, everyone contributes to risk management. From balancing investment risks and returns, to monitoring factors that affect operational efficiency, each staff member is responsible for managing risks within their control.

bcIMC'S RISK FRAMEWORK | The bcIMC Board and CEO/CIO ensures that the Enterprise-Wide Risk Management Framework functions effectively and monitors our strategic and reputational risk profile. The CEO/CIO establishes risk policy and oversees the implementation of all risk management measures. The internal Risk Committee reviews enterprise-wide risks each quarter and provides the Board with a status report of bcIMC's enterprise risk. The Internal Audit group conducts systematic reviews of our risk framework, control activities and processes.

Market risk is a function of all investment management decision-making. We follow a long-established model that reflects conservative investment practices, while ensuring two distinct mandates:

1. That each level of risk undertaken is appropriate to each individual client; and
2. That in every case, the level of risk undertaken corresponds with the probable return.

Sophisticated risk analysis enhances risk-adjusted returns for our pooled funds and assists in the selection of external managers.

Pillar Two : Risk Management

Credit risk focuses on a variety of credit concerns (individual securities, counter-parties, potential defaults, including the impact of environmental issues on credit ratings) that we confront on a daily basis. Our Credit Risk Framework guides the management of credit risk within fixed income, securities lending, and trading with approved broker/dealers and derivatives counterparties.

Our Environmental Risk Framework provides a consistent, enterprise-wide approach to environmental risk management. Asset classes have separate environmental due diligence protocols. For example, we conduct environmental assessments for all new real estate developments and acquisitions. Post-investment, we have ongoing management programs to ensure that the environmental exposure at each property is managed according to federal and local government legislation.

Legal risk management involves the anticipation and the mitigation of threats to bclMC's contractual, statutory, and other rights. As these rights underpin our activities, a loss or dilution of these rights can have significant financial consequences for our clients and reputational consequences for bclMC. Our Legal Risk Framework seeks to reduce or eliminate the possibility of inadvertent changes to these rights, whether through lack of legal awareness, insufficient legal protection, a change in the law, or other causes.

Operational risk management begins with setting the ethical tone of our operations. Staff are required to adhere to our *Code of Conduct*, and each year, the Board reviews a compliance report. Corporate policies protect against issues such as inadvertent insider trading and anti-money laundering.

Our Operational Risk Framework ensures that bclMC's operational risk management practices and business continuity planning remain current and robust. We undertake regular disaster recovery scenarios and tests, which at times include the bclMC Board. During the year, we prepared corporate and departmental Pandemic Plans to address the impact that potential pandemics, such as the H1N1 influenza, may have on our operations.

Departmental operational risks are tracked in registers which are maintained by senior management and staff. Vice Presidents discuss these registers with the CEO/CIO bi-annually, or more often if circumstances warrant. In addition, our Operational Review Committee, a cross-departmental team, focuses on operational risk reduction and efficiency of operating processes.

bclMC once again received an unqualified audit opinion on the Section 5970 Report on Controls Over the Investment System, in line with the reporting requirements of the Canadian Institute of Chartered Accountants. Our participation in this process is voluntary and we undertake this onerous task to provide management and clients with confidence in our internal controls over financial reporting.

THE DEVELOPMENT OF A ROBUST RISK MANAGEMENT FRAMEWORK

The development of a culture of risk management and the establishment of a robust enterprise-wide risk management framework has been a key priority for bclMC. The past decade has seen the introduction of formal frameworks and processes. The ongoing enhancement of our processes is a key priority, and our activities have included two external assessments of the comprehensiveness of our Environmental, Legal, and Operational Risk Frameworks.

Pillar Three : RESPONSIBLE INVESTING

We aim to provide leadership in corporate governance and responsible investing.

Responsible investing takes into consideration the role that environmental, social, and governance (ESG) issues play in enhancing long-term investment returns.

As a signatory to the United Nations Principles for Responsible Investment (PRI), bclMC has voluntarily committed to consider the impact that non-financial issues may have on long-term investment performance. As signatories, investors undertake to include ESG issues in investment decision-making, collaborate on the implementation of the principles, be active owners, request good ESG disclosure by companies, and report on their own ESG-related initiatives.

PRINCIPLE ONE : INTEGRATION OF ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES | The integration of ESG factors into our investment processes, while pursuing our clients' best financial interests, is an ongoing initiative. While the PRI provides an overarching framework, we

Pillar Three : Responsible Investing

are preparing a *Responsible Investing Policy* that will guide the application of appropriate responsible investing strategies across bclMC. Although this policy will be finalized in the next fiscal year, we have made major strides to incorporate ESG issues into our processes.

When assessing mortgage applications we favour projects with environmentally sound design principles and also match our clients' risk-return requirements. To date, we have funded over \$830 million of "green" mortgage properties. In 2009, the Mortgage group developed a new credit risk rating system for underwriting and valuing commercial projects. The system identifies and rewards mortgage properties that have energy conservation features with a higher or more attractive credit risk rating.

Since the inception of our real estate program, we have invested in properties that are energy efficient and environmentally and tenant friendly. Our activities now include responsible building design and retrofits. All responsible property investing (RPI) initiatives are assessed prior to purchase or development, and post-development we ensure that individual property business plans consider RPI activities. During 2009, we prepared a strategic plan for our RPI program, providing direction for our internal real estate team and external real estate managers.

While environmental certification of our buildings is not a stated goal of our domestic real estate program, it is an indication of our RPI commitment. Canada's certification programs include the Building Owners and Managers Association (BOMA BEST) program, the Leadership in Energy and Environmental Design (LEED) program, and the Hotel Association of Canada (HAC) Green Key Program. As of March 31, 2010, 35 per cent of our income-producing domestic real estate portfolio are certified under BOMA BEST or LEED programs, with an additional 26 per cent targeted for certification. In addition, 98 per cent of our hospitality properties are certified under the HAC Green Key Program.

On the private equity side, we endorsed the Institutional Limited Partners Association's *Private Equity Principles*. This provides a framework for governance and transparency for the private equity sector.

Our participation in the Mercer-led research project on the long-term impact of climate on investments is another highlight of the year. This project, which involves the collaboration of over 12 institutional investment managers around the world and scheduled for completion in 2010, models the potential long-term risk and return scenarios for traditional and non-traditional asset classes.

PROXY VOTING ACTIVITY BY REGION
FOR 2009-2010PROXY VOTES BY CATEGORY
FOR 2009-2010

Issue	Number of Votes Cast
Board of Directors	1,738
Auditors	1,599
Shareholder Rights	1,025
Executive Compensation	987
Capital Issues	743
Social Responsibility	126
Merger & Acquisitions and Takeover Protection	104
Environmental Responsibility	39

PRINCIPLE TWO : ACTIVE OWNERSHIP AND INCORPORATION OF ESG ISSUES INTO OWNERSHIP POLICIES AND PRACTICES | bclMC takes an active ownership approach to our investments. Part of this occurs through our proxy voting program that covers publicly listed companies in North America and other international markets. All proxies are voted in-house and in accordance with our *Corporate Governance Principles and Proxy Voting Guidelines* (available on our website at www.bcimc.com). Last year, we voted over 6,360 resolutions at over 1,570 company meetings. We opposed management resolutions about 31 per cent of the time.

Active ownership also involves interaction with specific companies. We continue to engage with public companies in our portfolios on issues related to climate change, human rights, and shareholder rights. Our approach, outlined in our *Shareholder Engagement Guidelines and Priorities*, is based on the philosophy of building long-term relationships with our portfolio companies. Our guidelines are available on our website.

During the year, we engaged with 124 companies on their ESG performance. For example, bclMC was among the 60 per cent of shareholders who voted against Shell's compensation plan at the company's May 2009 AGM. In February 2010, Shell announced that it would limit top executives' pay and include sustainability factors in executive performance evaluations.

Barrick Gold is another engagement success story. We encouraged the company throughout 2009 to recruit directors with more environmental and social expertise. Barrick has subsequently decided to seek a well-qualified director to provide more strategic oversight in these areas. We also recognized Bombardier for the advances it has made in corporate social responsibility, including efforts to uphold its 2007 commitment to the 10 principles of the United Nations Global Compact respecting human rights.

bclMC systematically monitors class action lawsuits in the U.S. and we participate when we believe redress is possible. Last year we received U.S.\$3.6 million from class action lawsuits stemming from ethical, governance, and accountability failures at U.S. companies.

We continued our active involvement in private companies in which we have a significant interest. Our staff may serve as directors on the various boards in which we have equity interests, and we appoint prominent individuals from the business community to represent our interests on these boards.

Pillar Three : Responsible Investing

PRINCIPLE THREE : SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES | In 2009, we collaborated with other investors in requesting the U.S. Securities and Exchange Commission (SEC) to address the disclosure of climate change and other material ESG-related risks in securities filings. Shareholders claimed victory in early 2010 when the SEC issued new interpretive guidance that clarifies the disclosure of the "material" effect of climate-related risks on the operations of publicly-traded companies. Globally, this is the first economy-wide requirement to disclose climate risk.

Through our participation in the CDP Water Disclosure Project, we have helped focus attention on the disclosure of water use. This initiative, which collected water-related data from over 300 of the world's largest companies, will inform capital markets about investment risks and opportunities.

We continue to contribute to the Carbon Disclosure Project. Their initiatives included the analysis of climate change risk and opportunity reporting by Canadian companies. The results were published in the *Carbon Disclosure Project 2009 Canada 200 Report*.

PRINCIPLE FOUR : PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY | We have endeavoured to further industry awareness on ESG issues by speaking at a variety of conferences. The Canadian Investor Relations Institute annual conference and the PRI Academic Conference were two events at which we presented our responsible investing views and experiences.

bclMC hosted our first Responsible Property Investing Forum, where we interacted with our external managers and industry experts on ESG-related topics. Discussions included the integration of real estate and infrastructure, alternative energy for buildings, and technology connected real estate.

We have encouraged policy makers around the world to place more emphasis on corporate governance and shareholder accountability in their legal and regulatory frameworks. In 2009, we proposed new corporate governance guidelines to the Canadian Securities Administrators (CSA) and Japan's Financial Services Agency. In our CSA submission, we urged regulators to establish new conflicts of interest, risk management, and shareholder engagement guidelines.

THE GREEN 30
bclMC congratulates the following bclMC associated companies for their inclusion in **THE GREEN 30 2010**. Compiled by Hewitt Associates, a global HR consulting and outsourcing firm, the list is based on the employees' perception of their employer's environmental efforts.

- **BENTALL LP** – one of bclMC's external real estate managers
- **DELTA HOTELS** – a bclMC portfolio company
- **ELLISDON CORPORATION** – a contractor for several of bclMC's real estate developments

The following tenants in bclMC's industrial portfolio:

- **LOYALTYONE, INC.**
- **RIEHO CANADA INC.**

The following tenants in bclMC's office portfolio:

- **BANK OF NOVA SCOTIA**
- **STIKEMAN ELLIOTT LLP**

The following tenants in bclMC's retail portfolio:

- **CO-OPERATORS LIFE INSURANCE COMPANY**
- **LUSH FRESH HANDMADE COSMETICS**
- **MCDONALD'S RESTAURANTS OF CANADA**
- **MOUNTAIN EQUIPMENT CO-OP**
- **VANCITY SAVINGS CREDIT UNION**

bcIMC has developed long-standing partnerships with:



Canadian Coalition for
GOOD GOVERNANCE

CARBON DISCLOSURE PROJECT



ICGN
International Corporate Governance Network



Investor Network on
CLIMATE RISK a project of Ceres



Pension Investment
Association of Canada
Association canadienne des
gestionnaires de caisses de retraite

PRI



UNEP
UNEP Finance for Sustainable
Innovative financing for sustainability

PRINCIPLE FIVE : COLLABORATION TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES | We participate in global and regional investor networks to share ideas and resources for promoting best ESG practices. We have developed a long-standing partnership with many of these organizations.

Prior to the UN Climate Change Conference in Copenhagen, we collaborated with the Investor Network on Climate Risk, including investor associations from Europe, Australia, and New Zealand on the issuing of an *Investor Statement on a Global Agreement on Climate Change*. We also worked with the Canadian Coalition for Good Governance on preparation of a draft resolution on the "Say on Pay" issue.

PRINCIPLE SIX: REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES | bcIMC began publishing our proxy voting activity in 2004. These reports, posted to our website on a quarterly basis, provide details of and the reasons for each vote cast at shareholder meetings. Responsible investing reports have been posted to our website since 2006. Details of our active ownership, integration, and other collaborative efforts are provided each quarter.

Our clients receive reports and regular briefings on the issues we are pursuing and the outcomes of our actions. Briefings this year have included climate risk and Canada's oil sands. We also assist clients to communicate with their plan members on ESG-related issues.

Each year, the UN PRI surveys the signatories to the Principles of Responsible Investing to establish and benchmark the incorporation of the six principles into the investment strategy. bcIMC will publish the results of the 2009 survey when they are released in mid-2010.

2010 2009 2008 2007 2006 2005 2004 2003 2002 2001 2000 1999 1998 1997 1996 1995 1994 1993 1992 1991 1990 RESPONSIBLE INVESTING

Although our responsible investing initiatives date back to the 1990s, bcIMC has made significant strides in the last decade. Since the inception of our real estate program in 1991, we have invested in energy efficient properties that are also environmentally and tenant friendly. We also began voting at shareholder meetings in the mid-1990s. Our endorsement of the United Nations Principles for Responsible Investing in 2006 has provided us with an overarching strategy for integrating environmental, social, and governance factors into our investment activities. Our initiatives are no longer restricted to responsible property investing and proxy voting, but have expanded to include shareholder engagement, engagement with privately-held companies on governance matters, and the incorporation of "green" factors in the rating of mortgage-related credit risk.

Clients – their needs, investment objectives, and success – are a fundamental driver at bclMC. We strive for long-term partnerships with our clients by creating a culture of client-focused service where the goal is to exceed our clients' expectations regarding investment performance and service levels.

bclMC's Consulting and Client Services department offers a single point of contact for clients, providing them with a specialized and dedicated team that recognizes their investment needs go beyond just putting their capital to work.

Fulfilling our fiduciary obligation and working in our clients' best financial interests is an ongoing focus throughout all stages of our service. The first step is to understand clients' needs as comprehensively as possible. The implementation of a new Client Relationship Management system in 2009 enhanced "know your client" by consolidating all client communication and information in a central location. This will spread and deepen client knowledge across the entire organization and improve service coverage within the department.

In addition to understanding our clients' needs, we also assist them with establishing prudent investment strategies. This year we initiated three Asset Liability Studies for pension clients, with the objective of helping trustees determine an appropriate strategic asset allocation policy suited to achieving their financial objectives. We were directly involved at all stages of this process, from developing options, discussing the potential benefits and risks, and then recommending investment policy revisions for the trustees' consideration and approval.

bclMC also works with clients to implement their investment strategies. In 2009-2010, we introduced three new pooled funds (Active Global Equity Fund, Global Government Bond Fund, and the Currency Hedging Fund for the euro) while winding down the Long Term Bond Fund and Indexed Government Bond Fund. Our client service consultants work closely with clients to ensure that the funds in which they are invested are the most appropriate, given their investment objectives.

Pillar Four : CLIENT SERVICES



The final step involves reviewing investment results with trustees (clients) and discussing what future changes might be made to enhance our investment management services. This year we continued to facilitate this process by introducing a streamlined quarterly performance report to our clients that better meets their performance evaluation needs. In response to trustee feedback, we collaborated with them to identify the key information they wanted and needed to know. As a result, the new format has increased the relevance and understanding of information we provide in our clients' performance reports.

Meeting clients' service needs also means building on existing processes and programs that already work well. Clients' ongoing interest and positive feedback regarding our responsible investing initiatives is a good example. We continued to work in this area by providing clients with information and explanations on investment issues ranging from the importance of active corporate governance to oil sands development in Alberta. In all cases, we remain focused on our fiduciary responsibility and balance any issues with our overall goal of getting the best possible financial returns.

We took the same approach to our ongoing commitment to client education and understanding. In addition to 110 regular client meetings, our trustee orientation sessions and pension conferences continued to be well-attended and produced positive feedback. These education initiatives have helped clients make prudent and informed investment strategy decisions with increased understanding and confidence.

Finally, we continued to work with clients on transitioning client investments towards bclMC's Vision 2020 strategies. As we move forward, increased exposure to global equities, emerging markets, and private market assets will help clients meet their long-term investment objectives.

Looking ahead to next year, we will continue to place clients at the forefront of our activities and work on their behalf. This includes advocating clients' interests and monitoring potential implications of legislative reforms such as the implementation of the Harmonized Sales Tax in British Columbia and participating in consultative processes on pension reforms. We will remain proactive in addressing our clients' service needs and investment strategies while aligning them with bclMC's Vision 2020 strategies.

CLIENT SERVICES

Client Services has increased significantly over the decade, culminating in its inclusion as one of our "five pillars" in 2008. Client service is a corporate priority and since 2000, we have worked on building a culture of working in our clients' best financial interests. The implementation of regular client satisfaction surveys has played a key role in shaping our service initiatives, driven by our belief in valuing the input from those that matter the most, our clients. Combined with advances in governance and client education, clients now have more relevant information than ever before to make better informed decisions on their assets.

Building technological and operational efficiencies and bringing together the desired expertise are the focus of our fifth pillar. Our goal is to develop a client-focused, results-oriented, innovative, and knowledgeable team, which is supported by efficient systems and technology and operates at a reasonable cost.

People and information technology are the two primary inputs to the achievement of our business goals and operations, and both are driven by the need to put clients' interests first. This has become an intrinsic part of the culture and values at bclMC and something that is reinforced by compensation plans that reward client-focused and solution-oriented behaviour.

PEOPLE | With the increasing sophistication of the capital markets, and in line with bclMC's strategic direction, we continue to expand and deepen our skill set in global investments, real assets, and in-house investment management. Altogether 11 new positions were added this past year, with many others re-assigned to new jobs through either promotions or internal transfers.

The development of an internal research group remains a key priority. Once fully staffed, it will support our investment processes with strategic, thematic, and company analysis. That, in turn, is expected to assist our

Pillar Five : BUILDING bclMC



in-house asset management and increase value and cost-efficiencies for clients. We began recruiting for our internal research group in September 2009. The group will be fully staffed by the end of 2010.

Attraction and retention of the best professionals is another area of focus at bclMC. The pool of candidates in Canada with the international experience and expertise we seek is relatively small. As a result, we take a "grow our own" approach. Active recruitment methods have replaced the more traditional approaches, and we regularly assess the effectiveness of different marketing strategies. We also continue to benefit from our relationships with the University of British Columbia, Simon Fraser University, the University of Victoria, and Camosun College.

Strengthening and deepening the existing team continued this year through training and development initiatives. A Human Resources specialist who focuses on staff training and development was added to the team so we could start building a competency and skills inventory for individuals and groups. This will be followed by the preparation of individual training plans for staff during the next fiscal year. A number of on-site training courses and workshops were offered on topics that included advanced financial modeling, writing skills, and presentation techniques.

On the leadership development front, we continued to focus on succession planning. This included the bclMC Board's annual review of the company's succession plan for executive management. During the year, selected employees also completed leadership development programs and a number of staff participated in director education programs.

TECHNOLOGY | Our investment management activities are supported by a modern technological platform that includes comprehensive and secure systems. Superior information systems can facilitate investment diversification, closer tracking of performance trends and capital market events, improved service to clients, and better measurement of risk.

Pillar Five : Building bclMC

We continued to focus on investing in technology initiatives that have the potential to increase returns, deliver more timely business intelligence, or support the creation of new investment products. Systems technology was strategically added or enhanced to support more global investing and the in-house management of assets. Once again, containing costs, increasing efficiency, and reducing operational risk were a priority for the year.

Improvements were made to our risk management technology. This included streamlining credit risk reporting and implementing new risk management tools in the equity and fixed income areas. Older, legacy systems were either phased out or transitioned to newer technologies. In addition, newer technology was introduced to provide secure, robust, remote access to information and data.

Finally, a Client Relationship Management system was implemented to allow for more efficient and effective client interactions. This will strengthen the corporate-wide understanding of our clients and their needs.

PREPARING FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS | The past year saw bclMC continuing preparations for the adoption of International Financial Reporting Standards (IFRS) in Canada in 2011.

Recently, the Canadian Generally Accepted Accounting Principles has begun converging with IFRS. bclMC has incorporated these changes as they have taken effect. As a result, the introduction of IFRS in 2011 will have minimal impact on our financial reporting and clients should not notice any material changes in our reports. However, the International Accounting Standards Board continues to review some of the IFRS standards and may make changes prior to 2011. We will continue to monitor developments and adopt changes where required.

Management regularly updates the Audit Committee of the Board on IFRS implementation and any proposed changes. Management, the Audit Committee, and the Board are confident that bclMC is ready for formal IFRS implementation in 2011.

OPERATING COSTS | bclMC continues to place emphasis on cost-effectiveness. We operate on a cost-recovery basis and strive to provide superior investment management services at a reasonable cost.

Part of that is made possible through economies of scale. Managing \$79.7 billion allows us to charge lower fees than others in the industry. An additional cost saving for clients comes from the fact that over 63 per cent of our assets are managed internally.

We set our fee structure based on the types of assets managed, the style of management, the markets these assets are invested in, and the specific asset mix and investment strategy for each client. Operating costs for bclMC in fiscal 2010 were \$127.7 million (2008-2009: \$116.8 million), or 16.2 cents (2008-2009: 14.6 cents) per \$100 of assets under administration.

2000/01 2002/03 2004/05 **BUILDING bclMC** 2006/07 2008/09 2010

Over the past decade, bclMC has grown into an organization that is comparable to the best of our Canadian peer group. From an original group of 63, we have built a team of 167 professionals that allows us to offer a global product range, deliver risk-adjusted investment performance, and provide enhanced client services. We have developed a sophisticated and fully integrated systems infrastructure. New technologies such as video conferencing and wireless access have also been introduced to ensure an up-to-date work environment.



1,000,000
3,000,000

\$200,000,000

100,000,000

Acquisition of
\$7.9 billion
February 6, 2009

\$200,000,000
Yield to Maturity: 5.000%
Coupon: \$21.00
Maturity: January 5, 2015

TD Capital Corp
Private Equity Fund

The fourth Civen fund
€6.5 billion

The third Civen fund
€4.4 billion

US \$528,000,000

Infragaz L.P.

OVERCO

Thames Valley

CIBC

\$200,000,000

Series 7 Notes
Coupon: 3.38%
Due January 29, 2015

CIBC Capital Markets

IMC
TimberWest
\$100 million convertible debenture investment
\$200 million placement agreement in TimberWest
convertible debt structured under \$21.50 per unit
\$10 million backstop of rights offering
IMC will acquire a standby agreement to purchase and
redeem the debt for a discounted price of 90%
February 2009

CIBC West

BANKERS HALL COMMERCIAL

OUR BOARD OF DIRECTORS

COMPOSITION OF THE BOARD | The *Public Sector Pensions Plan Act* ("the Act") requires our Board to have seven directors as follows:

- One director appointed by the College Pension Board from among its members;
- One director appointed by the Municipal Pension Board from among its members;
- One director appointed by the Public Service Pension Board from among its members;
- One director appointed by the Teachers' Pension Board from among its members;
- Two directors, representative of other clients, appointed by B.C.'s Minister of Finance; and
- One other director appointed by B.C.'s Minister of Finance and designated to be the Chair of the Board.

These nominating bodies are aware of our criteria relating to the knowledge, experience, and skill set we look for in bclMC directors. These criteria are disclosed on our website.

BOARD INDEPENDENCE | All directors and the Board Chair are non-executive directors and independent of management.



SID FATTEDAD | Vancouver, British Columbia

Now retired, Sid was formerly the Chief Financial Officer for WorkSafeBC for 14 years until December 2007. Prior to that appointment, he was the Senior Vice President of Customer Service for Canadian Airlines International. Sid is a Fellow of the Certified General Accountants Association of Canada, and is a recipient of the prestigious John Leslie award from the Association for exemplary public service. He is also a recipient of the Canada 125 Award for outstanding service to Canada. Sid holds a Certificate of Director Education from the National Association of Corporate Directors.

bclMC Board and Committee Appointments			2009-2010 Attendance		
Director since November 1, 1999 Current term to April 30, 2011 Appointed by B.C.'s Minister of Finance Independent	Chair, bclMC Board of Directors (2007-present)	4/4	100%		
	Member, Audit Committee (2000-2002)	-	-		
	Member, Human Resources and Compensation Committee (2003-2007)	-	-		
bclMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total

Other Board Directorships/Trusteeships During the Last Five Years			
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
Coast Mountain Bus Company	2005-present	-	Y 2005-present
Industrial Alliance Pacific	2007-present	Audit Committee (Chair) Conduct Review Committee	N -
Terminal City Club of Vancouver	2001-present	-	Y 2010-present
WCB Superannuation Plan (Trustee)	1994-2007	-	Y 2000-2007



JOAN AXFORD | Victoria, British Columbia

Joan is the Secretary-Treasurer for School District No. 63 (Saanich) and has been involved in public education since 1983. This included work with school districts, the Ministry of Education, and serving as President of the B.C. Association of School Business Officials in 2002-2003. Joan is the 2005 recipient of the Larry Ozero Leadership Award for leadership in school district corporate and business administration. Joan is a professional accountant and holds a CMA designation. Joan is currently the Chair of the Teachers' Pension Plan.

bclMC Board and Committee Appointments				2009-2010 Attendance	
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Director since November 1, 1999	Director, bclMC Board of Directors	4/4	100%
Current term to December 31, 2011	Chair, Human Resources and Compensation Committee (2002-present)	4/4	100%
Appointed by the Teachers' Pension Board of Trustees	Member, Audit Committee (2000-2002)	-	-
Independent			

bclMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
Remuneration fees are paid to School District No. 63	\$10,000	\$3,500	\$5,000	\$2,000	\$20,500

Other Board Directorships/Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
Teachers' Pension Plan (Trustee)	1999-present	Benefits and Communications Committee (Chair)	Y 2010-present



FRANK LEONARD | Saanich, British Columbia

Frank is the Mayor of the District of Saanich, an office he has held since his election in 1996. Prior to his election, Frank managed three Victoria Tire Ltd. stores in Greater Victoria. He has served as the President of the Greater Victoria Chamber of Commerce, as a director of Tourism Victoria and also the Greater Victoria Economic Development Commission. Frank is currently a part-time business management instructor at the University of Victoria and was an MBA advisor at Royal Roads University. He holds a B.A. (Honours) and a M.A. from the University of Victoria.

bclMC Board and Committee Appointments				2009-2010 Attendance	
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Director since January 1, 2007	Director, bclMC Board of Directors	4/4	100%
Current term to December 31, 2012	Chair, Audit Committee (2007-present)	5/5	100%
Appointed by the Municipal Pension Board of Trustees			
Independent			

bclMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	\$10,000	\$3,500	\$5,000	\$2,000	\$20,500

Other Board Directorships/Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
Capital Regional District and Capital Regional Hospital District	1987-present	-	Y 1990-1995
Federation of Canadian Municipalities	2006-present	Community Safety Finance and Infrastructure	N 2007-present (B.C. Caucus Chair)
FV Leonard Holdings	1972-present	-	N -
Municipal Finance Authority	2000-present	Finance and Administration	Y 2000-present
Municipal Pension Plan (Trustee)	2002-present	Benefits Committee Employer Eligibility Committee Investment Committee Valuation Committee	N -
Saanich Police Board	1996-present	-	Y 1996-present
Union of B.C. Municipalities	1999-2005	-	Y 2003-2004
Victoria Regional Transit Commission	1989-1991 1996-present	-	N -
Victoria Tire Ltd.	1974-present	-	N -



ANNE LIPPERT | Vancouver, British Columbia

Anne is the Principal of Anne Lippert Consulting and Vice President Lippert Investments Ltd. Anne retired from the Royal Bank in 1999 where she was Vice President, Strategic Initiatives, British Columbia & Yukon, and also responsible for the management of the Royal Bank Financial Group Foundation Committee. Anne consults on corporate social responsibility, corporate governance, and revenue and development strategies for not-for-profits. Anne is a recipient of numerous business and leadership awards, with the 2004 Leadership Vancouver Award being the most recent.

bcIMC Board and Committee Appointments				2009-2010 Attendance	
Director since October 15, 2007	Director, bcIMC Board of Directors			4/4	100%
Current term to October 15, 2010	Member, Human Resources and Compensation Committee (2007-present)			4/4	100%
Appointed by B.C.'s Minister of Finance					
Independent					
bcIMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	\$10,000	\$3,500	-	\$2,000	\$15,500

Other Board Directorships/Trusteeships During the Last Five Years			
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
Bill Reid Foundation	1999-present	Finance Committee (Chair)	N -
British Columbia Institute of Technology (Governor)	1999-2005	Audit Committee (Chair) Tributes Committee (Chair)	N -
Kate Booth House Community Council	2003-present	-	Y 2003-present
KCTS Channel 9 Advisory Board	1995-present	Nominations Committee	Y* 2001-present
Langara College, Board of Governors	2008-present	Audit Committee	N -
Pacific Coast Public Television	2006-present	Development Committee	N -
Pacific Pilotage Authority	1998-2005	Audit Committee (Chair) Safety and Operational Review Committee (Chair)	N -
Salvation Army Advisory Board	Life member	Hope in the City Committee	N -
SFU Morris J. Wosk Centre for Dialogue Advisory Council	2002-2005	-	N -
Rotary Club of Vancouver	2010-present	World Community Service Committee (Chair)	N -

* Anne serves as the Canadian Vice Chair of this Seattle-based organization



RON McEACHERN | North Saanich, British Columbia

Ron has worked in human resources and labour relations for over 30 years. Prior to retiring in 2005, Ron was an Associate Deputy Minister of Employee Relations in the B.C. Public Service Agency. Ron holds a B.Sc. from the University of Victoria and has completed several certificate courses with International Foundation of Employee Benefit Plans in the Advanced Trustee Management Standards Program.

bcIMC Board and Committee Appointments			2009-2010 Attendance		
Director since April 1, 2007	Director, bcIMC Board of Directors	4/4	100%		
Current term to March 31, 2013					
Appointed by the Public Service Pension Board of Trustees	Member, Human Resources and Compensation Committee (2007-present)	4/4	100%		
Independent					
bcIMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	\$10,000	\$3,500	-	\$2,000	\$15,500

Other Board Directorships/Trusteeships During the Last Five Years			
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
British Columbia Pension Corporation	2008-present	Human Resources Committee (Chair)	N -
Public Service Pension Board (Trustee)	2002-present	Benefits and Communication Committee Communications Sub-committee Litigation Committee	N -
Ron E. McEachern & Associates Ltd	2004-present	-	Y 2004-present



JOANNE McLEOD | Vancouver, British Columbia

Joanne served as Vice President and Treasurer of Westcoast Energy Inc. Previously she held various positions with Canadian Imperial Bank of Commerce. Joanne holds a Bachelor of Commerce from the University of Saskatchewan and a Bachelor of Laws degree from Queen's University. Joanne has completed the Institute of Corporate Directors Education program and is ICD.D certified.



JOHN WILSON | New Westminster, British Columbia

John is an instructor at the School of Business, Capilano University. Previously, he was a general practice manager and computer audit specialist with Coopers & Lybrand and was one of Canada's early Certified Information Systems Auditors. John is Past President of Capilano University's Faculty Association and has been its Chief Negotiator and Chief Steward. John has been active in pension matters for 20 years and is involved in provincial pension issues on behalf of the Federation of Post Secondary Educators of B.C. John is a Chartered Accountant and has the ICD.D certification.

bcIMC Board and Committee Appointments					2009-2010 Attendance
Director since December 31, 2007 Current term to December 31, 2010 Appointed by B.C.'s Minister of Finance Independent	Director, bcIMC Board of Directors	4/4	100%		
	Member, Audit Committee (2008-present)	5/5	100%		
bcIMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	\$10,000	\$3,500	-	\$2,000	\$15,500

Other Board Directorships/Trusteeships During the Last Five Years			
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
British Columbia Transmission Corporation	2003-present	Audit Committee Capital Review Committee (Chair) Human Resources, Safety and Environment Committee (Past member)	N -
St. Paul's Hospital Foundation	2001-present	Finance Committee (Current member and past Chair)	N -

bcIMC Board and Committee Appointments					2009-2010 Attendance
Director since September 1, 2005 Current term to August 31, 2010 Appointed by the College Pension Board of Trustees Independent	Director, bcIMC Board of Directors	4/4	100%		
	Member, Audit Committee (2005-present)	5/5	100%		
	Guest, Human Resources and Compensation Committee	4/4	100%		
bcIMC Director Remuneration 2009-2010	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
Remuneration fees are paid to the Federation of Post Secondary Educators	\$10,000	\$3,500	-	\$4,000	\$17,500

Other Board Directorships/Trusteeships During the Last Five Years			
	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS & TERM
British Columbia Pension Corporation	2000-2005	Audit and Finance Committee Human Resources Committee	Y 2000-2001* 2002-2003* 2004-2005*
Capilano University Faculty Association	1986-present	Bargaining Committee Executive Committee Joint Standing Committee	Y 2006-2007 2008-2010
College Pension Plan (Trustee)	2000-present	Benefits Committee Communications Committee (Past Chair) Interplan Audit Committee (Chair) Litigation Committee (Past member) Interplan Succession Committee (Past member)	N -
Federation of Post Secondary Educators	2006-2007 2008-2010	President's Council	N -
iGEN Knowledge Solutions	2000-2008	-	N -
Shiloh-Sixth Avenue United Church	2007-present	Board of Trustees	N -

* Fiscal year terms

OUR CORPORATE GOVERNANCE

The Board of Directors is responsible for ensuring bclMC has appropriate controls and accountabilities in place and that bclMC provides satisfactory service to our clients.

Our Board of Directors, from the left: Frank Leonard, Joan Axford, Ron McEachern, Sid Fattedad, Joanne McLeod, Anne Lippert, John Wilson



OUR CORPORATE GOVERNANCE

THE GOVERNANCE FRAMEWORK | bclMC was established by the *Public Sector Pension Plans Act* (the "Act"). In accordance with the Act, the Board oversees bclMC's operations, reviews and monitors the CEO/CIO's performance, and ensures proper reporting and accountability to our clients. The Board is also required to approve pooled fund investment policies, to select and appoint our CEO/CIO and auditors, to approve the business plan and annual budget, and to establish an employee classification system and compensation scale.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and established by bclMC's clients.

ROLE AND ACCOUNTABILITY OF THE CHIEF INVESTMENT OFFICER |

The Act defines the Chief Investment Officer as the Chief Executive Officer with responsibility for bclMC's day-to-day operations. The CEO/CIO is accountable to the Board for the efficiency and effectiveness of the corporation in carrying out its mandate. The CEO/CIO is also responsible to each client regarding its individual investment policy, asset mix policy, and performance.

Among other responsibilities, the CEO/CIO hires staff and external managers, prepares the annual business plan and budget, and establishes policies and procedures to meet operational objectives. The CEO/CIO ensures risk and returns are managed in a prudent and appropriate fashion consistent with client instructions and recommends changes in investment strategies to clients.

BOARD ACTIVITY AND COMMITTEES | The Board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when issues arise that require immediate Board attention.

The Board has two standing committees:

- The Audit Committee, consisting of three directors, meets at least three times a year, and oversees bclMC's audit programs, financial management controls, and financial reporting.
- The Human Resource and Compensation Committee, consisting of three directors, meets at least twice a year and reviews matters relating to human resource strategies, compensation philosophy, succession management, performance incentive plans, and employee classification systems.

The CEO/CIO attends all Board and Committee meetings (although the CEO/CIO cannot be a director).

DIRECTOR ATTENDANCE | During the year, the Board met on four occasions, the Audit Committee on five occasions, and the Human Resources and Compensation Committee on four occasions. Directors who are members of Committees are expected to attend all Committee meetings; directors who are not Committee members may attend meetings as a guest. There was 100 per cent attendance of all 2009-2010 meetings. Attendance details for the individual directors are included in the director profiles on pages 52 to 55.

DIRECTOR ORIENTATION | bclMC maintains an orientation program for new directors. Each new director receives a briefing on the Board's functions and responsibilities, bclMC's business plan, budget, organizational structure, human resource policies, and risk management programs, as well as the *Board Recovery Plan* and details on key operational functions. The orientation is conducted by the CEO/CIO and senior management staff.

OUR CORPORATE GOVERNANCE

During the year, the Board reviewed the orientation program and suggested areas of enhancement. These recommendations will be introduced in the next fiscal year.

DIRECTOR CODE OF CONDUCT | The *Director Code of Conduct* outlines the minimum standard of conduct required of all directors. Directors must make timely disclosure of any direct or indirect interest, material or not, in any proposed or completed bclMC contract, transaction, or investment. Directors must also abstain from voting on matters in which they have a personal interest. The Board reviews the *Director Code of Conduct* on an annual basis. A copy of the *Director Code of Conduct* is available on the bclMC website.

BOARD EVALUATION AND ASSESSMENT | Each year the directors complete a Board self-evaluation process that is designed to enable the directors to assess the effectiveness of the Board in key areas and elicit suggestions for improvement. The Board discusses the results and identifies areas that require additional or new emphasis. The Chair of the bclMC Board administers the process.

CONTINUING DIRECTOR EDUCATION | This program is a combination of courses and conferences offered by external parties, guest speakers at Board meetings, and regular discussions on pre-determined topics with our executive management.

While directors take personal responsibility for selecting educational opportunities, directors are encouraged to enrol in professional development courses and participate in industry-related conferences or seminars.

The Board of Directors' extranet provides directors with listings of conferences, seminars, and courses and other relevant information. bclMC reimburses education-related expenses.

DIRECTOR REMUNERATION | The Act provides that bclMC may pay directors remuneration for their service on the Board and its Committees that is consistent with the Province of British Columbia's Treasury Board guidelines. If a director already receives remuneration for bclMC Board or Committee service, such fees are paid to the director's employer. Total remuneration for the bclMC Board was \$128,500 in 2009-2010 (\$121,500 in 2008-2009). Remuneration details for the individual directors are included in the director profiles on pages 52 to 55.

GOVERNANCE INITIATIVES | The Board is committed to demonstrating a high standard of oversight over bclMC's activities, and in so doing regularly assesses its governance practices against industry guidelines. The governance-related initiatives for the year included:

- A review of the terms of the Act as it relates to governance matters;
- The preparation of a Board mandate that elaborates on its statutory obligations and the relationship of those responsibilities to best corporate governance practices. This mandate, modeled on the best private sector board mandates, will be finalized in 2010-2011;
- A review of the *Director Code of Conduct*; and
- The revision of the policy on non-audit services provided by bclMC-appointed external auditors.

COMPENSATION DISCUSSION AND ANALYSIS

bclMC operates in an industry that competes globally for the skills and expertise of investment-related and management professionals. We seek to recruit and retain staff to provide leadership in global investment management and business-related functions. We provide rewarding work opportunities, support continued professional development, and pay competitive base salaries.

HRCC MANDATE | The Human Resources and Compensation Committee (HRCC) assists the Board in ensuring that bclMC retains a productive workforce and that human resource policy and practices align staff activity with client performance and business objectives. The HRCC monitors and makes recommendations to the Board on the following matters:

- Trends and external market practices regarding compensation, benefits, and terms and conditions of employment;
- Human resources and compensation philosophy;
- bclMC's employee classification system and compensation scale;
- Comparators and competitive positioning of compensation;
- bclMC's performance incentive plans;
- Salary and performance-related matters for the CEO/CIO;
- New human resource strategies and supporting policies;
- The effect of proposed changes to terms and conditions of employment, compensation-related plans, and code of conduct provisions; and
- bclMC's succession management plan and associated activities.

The HRCC meets at least twice a year and consists of three directors with diverse backgrounds and experience in business matters. Members of the HRCC are appointed by the Board and are independent of management. Although the CEO/CIO and Vice President, Human Resources participate in the discussions, they are not members of the HRCC. Two *in camera* sessions were held during 2009-2010.

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION CONSULTANTS AND EXTERNAL SOURCES | bclMC's compensation philosophy and structure is regularly reviewed. In-depth reviews are conducted every three years; the last appraisal took place in 2006-2007 and an external review is scheduled for 2010. The HRCC is guided by independent consultants and market data provided by external sources. Base salaries are reviewed on an annual basis to ensure consistency with the compensation philosophy.

Mercers (Canada) Limited was retained in 2006-2007 to assist the HRCC with the oversight of the compensation programs. Hugessen Consulting Inc. has been retained to conduct the 2010 review, and any changes resulting from this review will be effective in 2011-2012.

Each year, the Towers Perrin Investment Management Compensation Survey and Mercer Investment Management Compensation Survey are made available to the HRCC. The data is used in the annual compensation decisions to ensure that base salaries continuously reflect the stated compensation philosophy.

bclMC'S COMPENSATION PHILOSOPHY AND STRUCTURE | The bclMC Board's compensation philosophy is to pay median base salary levels complemented by performance incentive plans that align staff interests with clients and discourage undue risk-taking.

We believe our compensation plan design meets, and exceeds in some cases, the *Principles for Sound Compensation Practices* issued by the Financial Stability Board in April 2009.

Our compensation structure for executive management includes a base salary, benefits, and performance-based remuneration through an annual incentive plan (AIP) and a long-term incentive plan (LTIP). As a statutory corporation with one share with a par value of \$10, bclMC does not issue share options to our staff.

- **Base Salary:** Staff salaries, including executive management, are guided by the Board's compensation philosophy to pay median salaries among other large in-house public pension funds in Canada. For non-investment roles, defined as core services, the comparator group is expanded to include relevant public and private sector employers within British Columbia.
- **Benefits:** Other employment benefits include bclMC's funded health and welfare coverage such as medical, dental, extended health, health savings account, and life insurance coverage. bclMC also pays employer contributions to the Public Service Pension Plan (a defined benefit pension plan) and legislated benefits such as Worker's Compensation, Employment Insurance, and Canada Pension Plan on behalf of our staff. Wage loss protection for permanent staff is provided through a short-term illness and injury plan as well as a long-term disability plan.
- **Annual Incentive Plan:** All permanent employees are eligible to participate in the AIP that is designed to align employee performance with the achievement of client-driven investment and business objectives. AIP payments are calculated as a percentage of salary, weighted to reflect the role and impact the position has on corporate results. The payments reflect the:
 - Overall investment performance measured against industry or client-approved benchmarks;
 - Department's role in attaining investment returns and contributing to business objectives such as risk management and client servicing; as well as
 - Individual's contribution to defined results.

COMPENSATION DISCUSSION AND ANALYSIS

Three value drivers are used to rate performance:

- *Driver 1: Total Fund Performance* – to align overall investment performance with client expectations and to promote corporate-wide teamwork.
- *Driver 2: Business Unit Performance* – to recognize both investment and non-investment performance objective achievement of the business unit team; and
- *Driver 3: Individual Contribution* – to encourage and reward high performance through individuals' efforts.

A portion of the AIP payment is derived from investment performance over a four-year period with added emphasis on annual returns. The remainder of the payment reflects annual achievement of business objectives such as client service, technological advances and management of risk.

Disbursement of payments under the AIP occurs the fiscal year after they are earned. However to illustrate the alignment between the AIP payment and performance, the Summary Compensation table (on page 63) reports AIP in the year it was earned.

- **Long-Term Incentive Plan:** This plan is designed to enhance the retention of key staff with desirable skills and experience critical to bclMC's long-term success. The LTIP has a four-year employment-vesting period before a first payment is disbursed to an eligible staff member.

The LTIP provides the opportunity to earn additional remuneration based on investment return performance over a four-year period, achieved on behalf of our clients and net of operational costs. This is achieved by linking a portion of the personal remuneration to bclMC's long-term total fund investment performance. The LTIP formula rewards overall investment return

performance results, with emphasis on consistent value-added performance every year, accruing over a four-year period. A series of instalments accrue over the investment period (four years), resulting in a grant (comprised of four consecutive instalments), payable in each eligible year for which the LTIP criteria are satisfied.

A grant payment is disbursed after the fourth fiscal of accruing instalments. As with the AIP, actual disbursement of the grant occurs in the following fiscal year. However to illustrate the alignment between the LTIP payment and performance, the Summary Compensation table (on page 63) reports LTIP in the year it was earned.

SUMMARY PERFORMANCE | Following significant market declines, the global capital markets rebounded sharply in 2009-2010 based on improving economic conditions and aggressive government stimulus measures. As a result, the significant uncertainty and volatility within the capital markets for 2009-2010 made it another challenging year for our investment team. Nevertheless, the year also presented opportunities as both public equity and fixed income markets rallied. Against this backdrop, bclMC's assets under administration increased by \$5.3 billion over the last fiscal and the combined pension return, net of fees, was 16.3 per cent. Despite these robust absolute returns, bclMC missed our pension clients' combined benchmark by one per cent. While many of our pooled funds (Public Equities, Fixed Income, and Mortgages) outperformed their benchmarks, our Real Estate portfolio detracted from these returns. Performance-based pay for 2009-2010 reflects this mixed investment performance.

bclMC's Business Plan also outlines non-financial goals and initiatives in support of our Pillars, Risk Management, Responsible Investment, Client Services and Building bclMC. Each quarter, the bclMC Board reviews the progress made with

COMPENSATION DISCUSSION AND ANALYSIS

respect to the implementation of the Business Plan. For 2009-2010, bclMC's performance per business pillar was evaluated as follows:

Business Plan Pillar	Key Objective	Actual Performance
Pillar 1: Investment Returns	To meet or exceed our clients' investment return expectations, subject to their tolerance for risk, net of costs.	Partially Achieved
Pillar 2: Risk Management	To continually identify and manage enterprise-wide risks that could affect investment outcomes and impact operational efficiency as well as our reputation.	Achieved
Pillar 3: Responsible Investing	To provide leadership in corporate governance and responsible investing.	Achieved
Pillar 4: Client Services	A culture of client service throughout bclMC that enables the provision of high quality service and builds a long-term partnership with clients.	Achieved
Pillar 5: Building bclMC	A results-oriented, innovative, and knowledgeable team, with efficient systems and technology, operating at a reasonable cost, and with sound governance.	Achieved

Over the four-year period of April 2006 to March 2010, bclMC's investment performance has generated an instalment towards a future grant for payment under the LTIP for two of the four years. This is illustrated in the Long-Term Incentive Plan Grants table.

The value added performance formula is calculated as the clients' total portfolio return including a value-added objective where applicable, net of fees, and minus the benchmark return. In this way, the value-added calculation reflects the risk-adjusted returns from the portfolio net of costs. As with the multi-year component of AIP, while many of our liquid asset class funds (Public Equities, Fixed Income, and Mortgages) outperformed their benchmarks, our Real Estate

portfolio detracted from these returns. As a result, the LTIP benchmark performance was not achieved in 2009-2010. Going forward, the investment performance for 2008-2009 and 2009-2010 will affect payments under the AIP and LTIP up to and including 2012-2013.

LONG-TERM INCENTIVE PLAN GRANTS

Performance Year	Maximum Instalment Weighting Toward Future LTIP Grant	Actual Performance
2009-2010	25.0%	0.0%
2008-2009	25.0%	0.0%
2007-2008	25.0%	23.8%
2006-2007	25.0%	22.4%

EXECUTIVE COMPENSATION | The total compensation of the five most highly remunerated officers for 2009-2010 is disclosed in the Summary Compensation table. This table also includes their salary information for the two previous fiscal years. Total compensation for bclMC's named executive officers was \$3.2 million in 2009-2010 (\$3.1 million in 2008-2009). Total compensation for our entire staff complement was \$24.3 million in 2009-2010 (\$22.2 million in 2008-2009). A portion of this year-over-year increase is a result of the planned growth in bclMC's staff complement.

COMPENSATION DISCUSSION AND ANALYSIS

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Base Salary ¹	Annual Incentive ^{2,3}	Long-Term Incentive Plan ^{2,3}	Benefits and Other Compensation ⁴	Total Compensation ⁵
Doug Pearce CEO/CIO	2009-2010	457,201	408,022	73,477	64,959	1,003,659
	2008-2009	445,939	418,280	92,237	61,867	1,018,323
	2007-2008	421,918	450,590	108,001	61,032 ⁶	1,041,541
Lincoln Webb VP, Private Placements	2009-2010	306,161	286,721	38,564	58,989 ⁶	680,435
	2008-2009	297,249	276,685	-	42,178	616,112
	2007-2008	223,273	227,156	-	51,702 ⁶	502,131
Bryan Thomson VP, Equity Investments	2009-2010	255,134	206,596	42,090	37,141	540,961
	2008-2009	248,915	203,612	53,902	34,938	541,367
	2007-2008	238,430	218,858	64,970	51,672 ⁶	573,930
Dean Atkins VP, Mortgages	2009-2010	224,518	197,481	35,293	36,542	493,834
	2008-2009	218,788	178,092	45,715	35,234	477,829
	2007-2008	198,754	187,651	55,777	31,334	473,516
Paul Flanagan VP, Fixed Income	2009-2010	224,518	195,135	34,227	36,542	490,422
	2008-2009	214,030	176,991	-	33,860	424,881
	2007-2008	198,450	178,366	-	31,228	408,044

¹ Base salaries are guided by the Board's compensation philosophy to pay market median among other large pension fund managers in Canada.

² The values of incentive payments are listed beside the performance year in which they were earned, the actual disbursement occurs in the following fiscal year.

³ A component of the incentive plan values reflects performance over a four-year timeframe.

⁴ These values include bclMC funded group health and welfare benefits and illness wage-loss provisions, parking, and contributions paid by bclMC on behalf of the named individuals to the Public Service Pension Plan and legislated benefits including Canada Pension Plan, Employment Insurance and Workers' Compensation.

⁵ Values in this table constitute the total compensation earned by, or paid on behalf of the identified individuals. All values are inclusive.

⁶ This value also includes a pay out of unused vacation entitlement.



Location: 3rd floor, 2940 Jutland Road, Victoria BC, V8T 5K6
Mailing Address: PO Box 9910, Victoria BC, V8W 9R1

May 28, 2010

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized in the financial statements and present fairly the Corporation's financial position, results of operations and cash flow. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

A handwritten signature in black ink, appearing to read "D Pearce".

Doug Pearce
Chief Executive Officer/
Chief Investment Officer

A handwritten signature in black ink, appearing to read "D Woodward".

David Woodward
Vice President, Finance & Operations



We have audited the consolidated balance sheet of British Columbia Investment Management Corporation as at March 31, 2010 and the consolidated statements of net income and comprehensive income, and retained earnings, and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is positioned above a horizontal line.

Chartered Accountants

Vancouver, Canada

May 28, 2010

FINANCIAL STATEMENTS | Consolidated Balance Sheet

AS AT MARCH 31

ASSETS

Current assets

Cash and cash equivalents *(note 5)*

Accounts receivable

Direct costs *(notes 6 and 9)*

Fees and other *(note 9)*

Prepaid expenses

Capital assets *(note 7)*

LIABILITIES AND EQUITY

Current liabilities

Accounts payable and accrued liabilities

Direct costs *(note 6)*

Other *(note 9)*

Long-term employee benefits *(note 8)*

Equity

Share capital *(note 1)*

General reserve

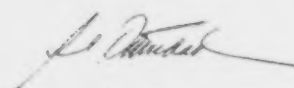
Retained earnings

Commitments *(note 10)*

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

2010	2009
(\$000's)	(\$000's)
12,179	10,639
19,881	22,115
3,492	3,653
883	818
36,435	37,225
1,012	1,327
37,447	38,552
17,598	19,660
14,750	14,416
32,348	34,076
1,079	1,902
33,427	35,978
-	-
2,095	409
1,925	2,165
4,020	2,574
37,447	38,552



Director



Director

FINANCIAL STATEMENTS | Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings

FOR YEAR ENDED MARCH 31

REVENUES

Recoveries of direct costs <i>(notes 6 and 9)</i>
Funds management fees <i>(notes 9)</i>
Other
Total Revenues

EXPENSES

Direct costs <i>(note 6)</i>
Salaries and benefits
Systems operations <i>(note 9)</i>
Office and business <i>(note 9)</i>
Rent
Insurance
Other
Total Expenses

NET INCOME and COMPREHENSIVE INCOME
RETAINED EARNINGS - beginning of year
NET TRANSFER FROM (TO) GENERAL RESERVE
RETAINED EARNINGS - end of year

2010	2009
(\$000's)	(\$000's)

93,119	84,982
35,964	31,678
109	292
129,192	116,952

93,119	84,982
24,338	22,178
4,572	3,901
1,208	1,379
1,180	1,062
628	637
2,700	2,667
127,745	116,806

1,447	146
-------	-----

2,165	1,185
-------	-------

(1,687)	834
---------	-----

1,925	2,165
-------	-------

See accompanying notes to the consolidated financial statements.

FINANCIAL STATEMENTS | Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31

CASH FLOW PROVIDED BY (USED FOR):

Operating activities

Net Income for the year
 Items not involving cash - Amortization
 Changes in operating accounts
 Accounts receivable
 Prepaid expenses
 Accounts payable and accrued liabilities
 Long-term employee benefits
 Cash flows from operating activities

Investing activities

Capital asset additions

INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS - beginning of year

CASH AND CASH EQUIVALENTS - end of year

2010
(\$000's)

2009
(\$000's)

1,447	146
448	376
2,394	18,200
(65)	(358)
(1,728)	(14,889)
(823)	(390)
1,673	3,085
(133)	(985)
1,540	2,100
10,639	8,539
12,179	10,639

See accompanying notes to the consolidated financial statements.

YEAR ENDED MARCH 31, 2010

1. Nature of Operations

The British Columbia Investment Management Corporation (the "Corporation") is a Crown corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the "Act"). The capital of the Corporation is one share with a par value of ten dollars. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the "Province").

In accordance with the Act, the Corporation manages the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2010 was \$80 billion (2009: \$75 billion). Of that, \$64 billion (2009: \$55 billion) is invested on behalf of pension funds and \$16 billion (2009: \$20 billion) on behalf of various publicly-administered trust funds and clients. These assets are invested in segregated investments owned by the client or aggregated in one or more pooled investment portfolios managed and owned by the Corporation as trustee. The Corporation annually prepares separate audited financial statements for each pooled investment portfolio with more than one unitholder. The financial statements of the pooled investment portfolios and segregated assets held in trust for clients are not consolidated in the financial statements of the Corporation.

The Corporation owns and controls the incorporated companies that act as general partners of certain limited partnerships in which investments are made by pooled investment portfolios. Clients hold their investments either as units of pooled investment portfolios or on a segregated basis. The financial statements of general partner entities which are controlled and in which the Corporation has a beneficial interest (referred to as subsidiaries) are consolidated in the Corporation's financial statements and include:

Subsidiary	Ownership of Voting Shares	Participation Interest
bcIMC Holdco (2007) Inc.	100%	Lesser of 0.1% and \$10,000
4245997 Canada Inc.	100%	1/3 of 0.00001%
bcIMC Fixed-Term Corporation	100%	0.01%
bcIMC (IRE GP) Investment Corporation	100%	1/3 of 0.01%
bcIMC SIIF FX Investment Corporation	100%	Lesser of 0.001% and \$10,000

YEAR ENDED MARCH 31, 2010

The Corporation, as agent, makes investments on behalf of its clients and may also establish companies in which it owns the voting (but non-participating) shares for the sole purpose of managing specific investments. As the Corporation has no beneficial interest in these entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis. The Corporation's board of directors may approve recoveries greater than costs to maintain or increase the Corporation's retained earnings and general reserve.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes, both in respect of assets held for its own account and assets held in pooled investment portfolios.

2. Significant Accounting Policies

Basis of Presentation – The Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Financial Instruments – The Corporation classifies its financial instruments into one of the following categories: held-for-trading; loans and receivables; and other liabilities.

All financial instruments are recorded at fair value when acquired.

Subsequent to acquisition, values are measured as follows:

Cash and cash equivalents (comprised of money market funds, which are readily convertible to cash) are classified as held-for-trading and accordingly are measured at fair value. The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act.

Accounts receivable are classified as loans and receivables and are accordingly measured at amortized cost.

Accounts payable and accrued liabilities and long-term employee incentives included in long-term employee benefits are classified as other liabilities and accordingly are measured at amortized cost.

Capital Assets – Capital assets are recorded at cost less accumulated amortization. Software development costs, including external labour and material costs for design, construction, testing and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation.

YEAR ENDED MARCH 31, 2010

Amortization is calculated on a straight-line basis over the following estimated useful asset lives:

Furniture, equipment	10 years
Computers and related software	3-5 years

Leasehold improvements are amortized on a straight-line basis over the remaining life of the lease term.

Long-term Incentive Plan – The Corporation provides a retention incentive to employees in senior staff positions through a long-term incentive plan ("LTIP"). Eligible staff are entitled to their first LTIP payment after four complete fiscal years of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated aggregate pay-out for the current year and each of the following three years. The estimated payments for years beyond the next fiscal year are recorded as a long-term liability.

Post-Employment Benefits

- a) The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan, and accordingly the Corporation's annual cost is represented by contributions required for the respective year. The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2008 indicated that the Plan is in a surplus position.
- b) The Corporation's annual cost of employee benefits under the Plan amounted to \$1,448,000 (2009: \$1,302,000).
- c) Employees hired prior to October 31, 2007 are also entitled to a long service retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances. The accrued liability for retiring allowances is \$866,000 (2009: \$762,000).

Revenues – Revenues are received from: recoveries of direct costs related to the pooled investment portfolios and segregated investments; fees charged for funds management services; and the Corporation's investments.

Direct cost recoveries and funds management fees revenues are accrued as the related costs are incurred and as management services are provided. Fees are charged at a level that the Corporation estimates will allow it to recover all cash outlays and accrued expenses, including capital expenditures, and maintain or increase retained earnings and general reserves.

YEAR ENDED MARCH 31, 2010

General Reserve

- a) General reserves for future expenditures may be appropriated from retained earnings at the discretion of the Board. The Board has authorized access to the General Reserve for the purposes of certain employee compensation payments and for errors and omissions payments.
- b) The Board approved a transfer of \$2,600,000 to the General Reserve for the year ended March 31, 2010.

Measurement Uncertainty – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Consolidated Balance Sheet and Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings. Subjective estimates include the annual incentive plan, long-term incentive plan and long service retiring allowance accruals. Management believes its estimates to be appropriate, however, actual results could differ and any differences will be reflected in the future period in which they are identified.

Comparative Figures – Certain comparative figures have been reclassified to conform to the current year's presentation.

3. Accounting Standards Adopted for Current Fiscal Year

The Corporation adopted the amendments to CICA Section 3862, Financial Instruments – Disclosures on April 1, 2009. CICA 3862 establishes a fair value hierarchy that categorizes the inputs used to calculate a financial instrument's fair value. The hierarchy contains three "levels" of fair value inputs as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability (i.e. quoted prices for similar securities, Bank of Canada rates, commercial credit spreads).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. budgeted or forecast revenue or net income, weighted average cost of capital).

Changes in valuation methods may result in transfers of investments between levels.

YEAR ENDED MARCH 31, 2010

4. Future Accounting Policy Changes**International Financial Reporting Standards**

The Canadian Accounting Standards Board has confirmed that publicly accountable entities will be required to use International Financial Reporting Standards (IFRS) effective January 1, 2011. The Corporation will adopt IFRS for its annual consolidated financial statements ending March 31, 2012, including comparative amounts on an IFRS basis, for the year ending March 31, 2011.

Management has a transition implementation plan and has appropriate resources to convert its Canadian GAAP consolidated financial statements to IFRS. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in recognition, measurement and disclosure. An analysis of the differences between Canadian GAAP and IFRS, an assessment of the impact of relevant IFRS accounting policies as well as accounting policy choices and exemptions that the Corporation may choose to apply in preparing IFRS consolidated financial statements are in progress.

Based on analysis to date, the Corporation's management believes adopting IFRS will not materially impact its financial results, or the presentation and disclosures in the consolidated financial statements.

5. Cash and Cash Equivalents

Cash equivalents consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the US Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate.

	2010 (\$000's)			2009 (\$000's)		
	Canadian	U.S.	Total	Canadian	U.S.	Total
Cash	5	4	9	70	29	99
Cash Equivalents	12,094	76	12,170	10,517	23	10,540
	12,099	80	12,179	10,587	52	10,639

The CICA Handbook Section 3862 – "Financial instruments – Disclosures" requires the classification of Financial Instruments into a three level hierarchy according to how the financial instruments are valued (note 3). The Corporation classified its cash equivalents, which consist of units in pooled investment portfolios, for both 2010 and 2009 as level 2 – fair value based on inputs other than quoted prices that are observable (i.e. quoted prices for similar assets). There were no financial instruments classified as level 3 during the year and no transfers between classification levels.

YEAR ENDED MARCH 31, 2010

6. Direct Costs

The Corporation contracts with third parties for investment, custodial, legal, audit and other services.

Costs related to providing funds management services on behalf of a specific client's segregated investment or a pooled investment portfolio managed by the Corporation are recovered directly from that entity. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings.

The breakdown of direct costs as reported in the Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings is as follows:

Direct Costs (\$000's)	2010	2009
Investment services	81,956	74,199
Custodial	6,864	6,606
Legal, audit, other	4,299	4,177
	93,119	84,982

The direct costs receivable reflects amounts not yet recovered from pooled investment portfolios or segregated investment clients, and the direct costs payable balance is the amount accrued and owing to direct cost service providers.

7. Capital Assets

	2010 (\$000's)			2009 (\$000's)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, equipment	542	346	196	154
Computers and related software	1,395	1,243	152	223
Leasehold improvements and interests	1,655	991	664	950
	3,592	2,580	1,012	1,327

YEAR ENDED MARCH 31, 2010

8. Long-Term Employee Benefits

	2010 (\$000's)			2009 (\$000's)		
	LTIP*	LSRA**	Total	LTIP*	LSRA**	Total
Accrual	1,078	866	1,944	1,992	762	2,754
Less short term portion included in accounts payable and accrued liabilities - other	643	222	865	686	166	852
Long term employee benefits	435	644	1,079	1,306	596	1,902

*LTIP - Long-Term Incentive Plan **LSRA - Long Service Retiring Allowance

The LTIP liability is an estimate of future payments to staff under the Long Term Incentive Plan related to past service. The LTIP liability has been classified as an other liability in accordance with accounting standards for the recognition and measurement of financial instruments and accordingly is accounted for at amortized cost. Management estimates the fair value of the long term portion of the LTIP liability to be approximately \$426,000 (2009: \$1.2 million) which was estimated by discounting the future cash flows using the current Government of Canada bond rate over a comparable term to maturity.

The LSRA estimate is the present value of the projected future liability for one-time payments that will be made to staff who, when they retire, will have more than 20 years of public sector service. The LSRA has been recorded in accordance with accounting standards for employee future benefits.

9. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts.

The Corporation's revenues from the recoveries of direct costs and funds management fees services, and accounts receivable are due from related parties. Services obtained from related parties during the year totaled \$576,000 (2009: \$514,000), which included \$328,000 (2009: \$352,000) for system operations and \$248,000 (2009: \$162,000) for office and business services.

Related party transactions included in other accounts payable and accrued liabilities total \$108,000 (2009: \$97,000).

YEAR ENDED MARCH 31, 2010

10. Commitments

The Corporation leases premises under various operating leases which expire in 2015 and 2017. Future minimum payments, based on current lease agreements, by fiscal year, and in aggregate, are as follows:

2011	\$ 1,305,000
2012	1,305,000
2013	1,305,000
2014	1,305,000
2015	1,102,000
Thereafter	174,000
	\$ 6,496,000

11. Financial Instruments and Risk Management

Fair Value – The carrying values of all financial instruments approximate their fair value.

Risk Management – In the ordinary course of operations, the Corporation may be exposed to risk arising from its financial instruments as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash equivalents and accounts receivable.

The Corporation's cash equivalents are described in note 5 and consist of units in money market pooled funds managed by the Corporation. The accounts receivable relate to fees and other amounts receivable from pooled investment portfolios managed by the Corporation and are generally short-term in nature.

Due to the Corporation's role as fund manager for the pooled funds and the highly liquid nature of the Corporation's cash equivalents, management does not believe the Corporation is exposed to significant credit risk.

YEAR ENDED MARCH 31, 2010

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation operates on a cost recovery basis and recovers all of its expenses through the pooled funds and segregated client accounts it manages. Accordingly, management does not believe the Corporation is exposed to significant liquidity risk.

c) Currency Risk

Currency risk is the risk that the Corporation's financial instruments will fluctuate in value from changes in value of foreign currencies in relation to the Canadian dollar. The Corporation does not hold significant financial assets or have significant financial obligations denominated in other than Canadian dollars. Accordingly, management does not believe the Corporation is exposed to significant currency risk.

d) Interest Rate Risk

Interest rate risk refers to the effect on the fair value or future cash flows of financial instruments due to fluctuation in both long-term and short-term nominal and real interest rates. The Corporation's cash equivalents are in units of money market investment portfolios that are interest rate sensitive, however the underlying financial instruments re-price on a frequent basis. Other financial assets and liabilities have a short-term to maturity. As investment earnings are not material, management does not believe the Corporation is exposed to significant interest rate risk.

e) Other Price Risk

Other price risk is the risk that the fair value of the Corporation's financial instruments will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate risk. Management does not believe the Corporation's financial instruments are exposed to significant other price risk.

bcIMC's EXTERNAL MANAGERS & PARTNERS

AUDITORS

- Ernst & Young
- KPMG LLP

GLOBAL CUSTODIAN

- RBC Dexia Investor Services Trust

LEGAL ADVISORS

- Blake Casells & Graydon LLP
- Lawson Lundell LLP
- Lane Powell PC
- McCullough, O'Connor & Irwin LLP

MORTGAGES

- Bentall Capital LP
- Canadian Mortgage Loan Services Ltd.
- Tricon Capital Group Inc.

PRIVATE PLACEMENTS

- Adams Street Partners, LLC
- Advent International Corporation
- Affinity Equity Partners
- AIG Highstar Capital LP
- Apollo Management
- ArcLight Capital Partners, LLC
- AsiaVest Partners, TCW/YFY (Taiwan) Ltd.
- Banyan Capital Partners

- BC Partners Limited
- Birch Hill Equity Partners Management Inc.
- Blackstone Management Partners LLC
- Bridgepoint Capital Limited
- Brookfield Asset Management Inc.
- CAI Advisors & Co.
- Callisto Capital LP
- Canaan Partners
- Carlyle/Riverstone Renewable Energy Partners, LP
- Cartesian Capital Group, LLC
- Celtic House Venture Partners
- Cinven Capital Management Ltd.
- CVC Capital Partners Ltd.
- Energy Capital Partners
- First Reserve Corporation
- Francisco Partners
- H&Q Asia Pacific
- HarbourVest Partners, LLC
- Hellman & Friedman Capital Partners LLC
- HSBC Capital (Canada) Inc.
- IK Investment Partners
- Kern Energy Partners Management Ltd.

- Leonard Green & Partners L.P.
- Macquarie Bank Limited
- Macquarie North America Ltd
- MatlinPatterson Global Advisors LLC
- McKenna Gale Capital Inc.
- McLean Watson Capital Inc.
- Merit Capital Partners
- Newstone Capital Partners, LLC
- Oaktree Capital Management
- Pacven Walden Inc.
- PAI Partners S.A.S.
- Pantheon Ventures Limited
- Penfund Management Limited
- Polaris Venture Partners
- Richardson Capital Limited
- TA Associates Management, L.P.
- Tailwind Capital Partners
- TPG Capital
- Tricor Pacific Capital, Inc.
- TriWest Capital Partners
- Unitas Capital Pte. Ltd.
- Ventures West Management Inc.
- Wayzata Investment Partners
- Wellspring Capital Partners
- Yaletown Venture Partners

PUBLIC EQUITIES

- Aberdeen Asset Management Asia Ltd.
- Acadian Asset Management
- Acuity Funds Ltd.
- Advisory Research, Inc.
- AllianceBernstein Institutional Investments
- Amundi Asset Management
- BlackRock, Inc.
- Carnegie Asset Management
- Connor, Clark & Lunn Investment Management Ltd.
- GE Asset Management Canada
- GMO LLC
- Highstreet Asset Management Inc.
- Intact Investment Management
- Jarislowsky, Fraser Limited
- J.P. Morgan Asset Management
- Montag & Caldwell Investment Counsel Inc.
- Oechsle International Advisors LLC
- Pictet Asset Management Ltd.
- Pyramis Global Advisors
- Pyrford International Ltd.
- QIEF Management LLC
- T. Rowe Price Associates, Inc.

- TT International
- UBS Global Asset Management
- Van Berkem and Associates Inc.
- Vontobel Asset Management, Inc.
- Walter Scott & Partners Limited
- Wellington Management Company LLP

REAL ESTATE

- Apex LP
- Bentall LP
- Brookfield Asset Management Inc.
- Delta Hotels Ltd.
- Doughty Hanson & Co.
- GWL Realty Advisor Inc.
- LaSalle Investment Management
- MGPA
- Pacific Capital
- Realstar Group
- SilverBirch Hotels and Resorts LP



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Chief Executive Officer and
Chief Investment Officer



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VP, Mortgages



PAUL FLANAGAN
VP, Fixed Income



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VP, Real Estate



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CORPORATE OFFICERS

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We welcome your comments and suggestions on our annual report.

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Investment
Management
Corporation



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